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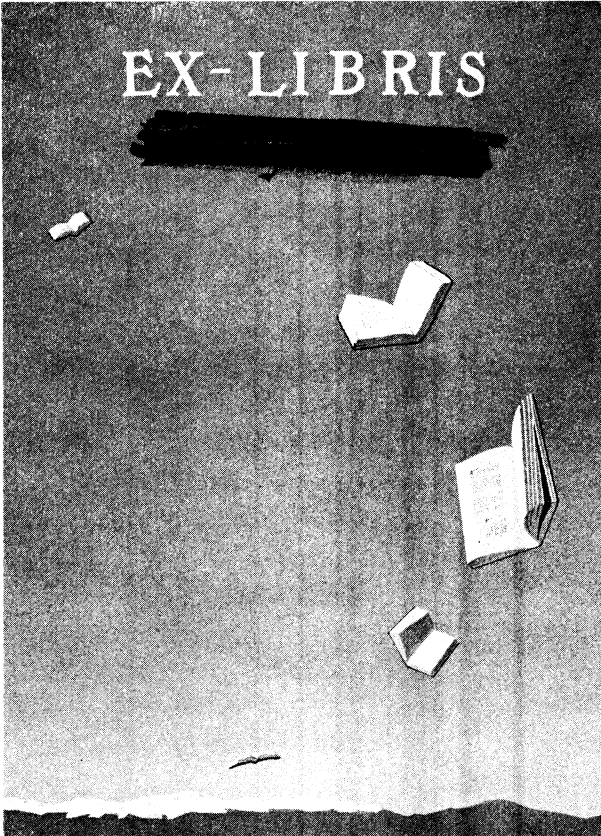
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PREFACE

The present volume of *Foreign Relations of the United States* is the first in a special series of *Foreign Relations* volumes covering the relations of the United States with China for the years 1942 to 1949, inclusive. This series is part of the publication program adopted by the Department of State in response to expressions of interest by several Senators and the Senate Committee on Appropriations in its report for the fiscal year 1954. The program also includes publication of records of the top-level conferences of World War II and the accelerated publication of the regular annual volumes of *Foreign Relations*.

The principles of compilation and editing for this China series are the same as those for the regular annual volumes as set forth in the Department order printed in the preface to *Foreign Relations*, 1939, Volume I. The background documentation on the internal political and military situation in China is somewhat fuller than usual, in view of the special interest of the United States in the struggle which resulted in the establishment of a Communist regime controlling the mainland of China and in view of the bearing of the Chinese internal conflict on the policies followed by the United States Government with respect to China.

The *Foreign Relations* volumes are primarily concerned with documentation of diplomatic activities within the responsibility of the Department of State. Some documents from other agencies have been printed where they have been deemed necessary to supplement the Department's records and thus give a better understanding of the problems treated.

Military records dealing with China during 1942 have been discussed in narrative histories published by the Departments of the Army and Air Force. Most important for this period are *United States Army in World War II: The China-Burma-India Theater: Stilwell's Mission to China*, by Charles F. Romanus and Riley Sunderland, published in 1953, and *The Army Air Forces in World War II*, edited by W. F. Craven and J. L. Cate, Volumes I and IV, published in 1948 and 1950, respectively. These histories provide relevant background information for documents referring to military activities.

The preparation of the present *Foreign Relations* series on China has been under the general supervision of the Chief of the Historical Division, G. Bernard Noble. The volumes were compiled in the Foreign Relations Branch of the Historical Division under the

direction of the Chief of the Branch (Editor of *Foreign Relations*), E. R. Perkins, and the Assistant Chief of the Branch, Gustave A. Nuernberger, by a research staff consisting of John G. Reid, Francis C. Prescott, Velma H. Cassidy, Herbert A. Fine, and Ralph R. Goodwin. The 1942 China volume was compiled by Mr. Reid, Mr. Prescott, and Mr. Goodwin.

The Division of Publishing Services is responsible with respect to the *Foreign Relations* volumes for the proofreading and editing of copy, the preparation of indexes, and the distribution of printed copies. Under the general direction of the Chief of the Division, Robert L. Thompson, the editorial functions mentioned above are performed by the Foreign Relations Editing Branch in charge of Elizabeth A. Vary.

E. R. PERKINS

Editor of Foreign Relations

APRIL 18, 1956.

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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 ¹

Generalissimo Chiang Kai-shek to President Roosevelt ²

Generalissimo's reply follows:

Your suggestion ³ that I should exercise the supreme command over all forces of the United Powers which are now or may in the future be operating in the Chinese theater, including initially such portions of Indo China and Thailand as may become accessible to troops of the United Powers, is one which I have considered with a full sense of all the grave responsibilities it entails toward the other countries and peoples concerned as well as toward China. If it were simply a question of my own capacities and military qualifications, I could not accept this supreme command with its attendant duties and responsibilities. However, I do not hesitate to accept it at your suggestion in agreement with the British and Dutch governments. The establishment of a supreme command will unify the strategy and promote the full cooperation of the United Powers in the Chinese theater. The effective coordination of these forces in [is?] the common need that must be placed before everything else. Your own initiative and efforts have brought this unity of purpose and made them within reach of achievement and I shall spare myself nothing to second your effort and serve the common good of all the nations which are now linking to their resources at home, their communications and their fighting forces on every front. This growing unity has rallied the entire Chinese people behind it. In line with your suggestions I welcome the prompt disposition of American and British representatives to serve on a Joint Headquarters Planning Staff. The question of Russian representation can be considered as

¹ See also *Foreign Relations*, 1941, vol. iv, pp. 730 ff., and *ibid.*, vol. v, pp. 590 ff., *passim*.

² Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y. This message was transmitted through Navy channels from Chungking, and was delivered to President Roosevelt in a paper dated January 3, 1942. It was shown by the President to British Prime Minister Churchill. Records of the First Washington Conference in December 1941 and January 1942 between President Roosevelt and Prime Minister Churchill, with their advisers, are scheduled for publication in a subsequent volume of *Foreign Relations*.

³ For text of President Roosevelt's message of December 29, 1941, to Generalissimo Chiang, see *Foreign Relations*, 1941, vol. iv, p. 763.

soon as this staff has assembled and begun its duties. The proposed exchange of liaison with the Commander of the British forces in India and the Commander of the Southern Pacific Theater can be carried out as soon as the Command and Headquarters Staff of the Chinese theater have been established. In every successive phase of development I would be happy to have your views and suggestions.

*The Coordinator of Information (Donovan) to President Roosevelt*⁴

No. 142

[WASHINGTON,] January 9, 1942—6 p. m.

Dr. Soong has just come in. He brought with him the attached telegram from General Chiang Kai-shek dated January 7, 1942. He asked that I get it to you personally. Also, he asked me to say to you that if you felt there was any impropriety in his passing this along direct to you, and not through the State Department, please to let him know and he will go to them. But he hoped that he might have certain things like this established through a more direct line of communication.

He also asked that after you have read the telegram, if you wish to give him any reply direct to his General, he will appreciate it.

[Annex]

TELEGRAM FROM CHUNGKING DATED JANUARY 7TH, 1942⁵

"I deeply appreciate your telegram of December 31st^{5a} in which you so clearly reaffirmed the consistent democratic spirit of your policy. I consider that the actual incident involving the seizure of Chinese lend-lease cargoes in Burma by the British military authorities is of minor importance compared to the effect on the unity of our democratic cause of the spirit which made such incidents possible. I trust that you fully understand that my attitude in this matter has not been influenced by material considerations but by political considerations which I regard as being of fundamental importance.

"The spread of the Battle of the Pacific to Australasian, British and Dutch territories emphasizes certain factors, the importance of which we Chinese appreciate acutely. The spread of war in colonial areas differs from war elsewhere, nor can the war in the Pacific today be compared with the European war of 1914—1918 which hardly

⁴ Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

⁵ At the end of this document there appears the following: "The above telegram was addressed to me, marked for secret communication to the President. Tse Yun Soong."

^{5a} See telegram No. 336, December 31, 1941, midnight, *Foreign Relations*, 1941, vol. v, p. 772.

affected the Pacific area. In Europe the military factor is paramount and the conquered populations can be relied on to regard the anti-Axis forces as liberators. In South East Asia however, besides military factors, nationalism and social conditions are factors of equal importance. Such factors may not become dangerous in a short war, but with every month that passes in a long war their importance increases and they may become decisive factors.

“Having been ruled for a long time by Western nations without economic, social or political equality, the native populations may come to regard our descriptions of the ruthlessness of the Japanese invaders as mere propaganda. They may feel that there is no reason why they should undergo sacrifices to defend their present rulers against other future rulers. If they are to have the necessary morale to endure such sacrifices as prolonged bombings and other horrors of war as we have experienced in China, it is necessary that they should feel that they have some national interest of their own at stake. Our experience has proved that without the support of the people, armies could not maintain prolonged resistance.

“I earnestly hope that you could persuade the British and Dutch authorities to emulate the spirit of declarations which have been made by yourself,⁶ the High Commissioner Sayre⁷ and by General MacArthur,⁸ and to make changes in their attitude clearly indicating future political changes in the spirit of the Atlantic Charter.⁹ Such would contribute greatly towards our joint war effort. Otherwise, if the enemy should succeed in stirring up the populations for their own purposes, the situation would become increasingly more dangerous as the war progresses.

“May I say that it is the profound experience of what enabled us here in China to hold out all these years, which prompts me to speak to you in this way. I assure you that my only concern is for our joint interests and for our common victory. Relying on your great statesmanship and your unrivaled prestige as the leader of the democracies throughout the world, I wish to leave it to you to decide whether you should convey the substance of my views to the British Prime Minister. Let me say that I have the highest regard for the leadership of Mr. Churchill and I am convinced that he will fully understand the spirit in which I have broached this subject.

CHIANG KAI-SHEK”

⁶ For President Roosevelt's message on December 28, 1941, to the Philippine people, see Department of State *Bulletin*, January 3, 1942, p. 5.

⁷ Francis B. Sayre, in the Philippine Islands.

⁸ Douglas MacArthur, Commanding General, U. S. Army Forces in the Far East, in the Philippine Islands.

⁹ Joint declaration by President Roosevelt and British Prime Minister Winston S. Churchill on August 14, 1941, Department of State *Bulletin*, August 16, 1941, p. 125.

711.93/484

The Chinese Minister of Finance (Kung) to the Secretary of State

CHUNGKING, January 14, 1942.

DEAR MR. SECRETARY: I am glad of the opportunity which the return of our mutual friend, Mr. Manuel Fox,¹¹ to Washington enables me to send you a brief personal message.

I desire to express to you my deep and sincere appreciation for all that you have done to foster and strengthen amicable relations between the United States and China. Indeed, at no time in our history has the traditional friendship which has existed between our two countries rested on more solid and enduring foundations. That this is the result of your wise counsel and sympathetic understanding of our problems I am fully convinced.

With kindest personal regards [etc.]

H. H. KUNG

740.0011 Pacific War/1667: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, January 17, 1942—11 a. m.

[Received January 17—9 a. m.]

45. The Chinese press and Chinese officials with whom the Embassy is in contact have reacted with greater restraint and reason than was expected to the statements of Alexander¹² and Knox¹³ that primary emphasis should be placed on the European end of the Axis. They give due recognition to the argument that Hitler¹⁴ must be defeated and to the importance of maintaining the present offensive in Europe, but they emphasize the vital defensive necessity of holding Singapore and the Dutch East Indies at all cost, pointing out that the Japanese in possession of those areas would be in a strong position to make the War in the Pacific protracted and costly, to attack Russia in eastern Siberia, and to be of considerable indirect if not direct aid to Hitler or embarrassment to the Allies in the European operations.

Now that the Chinese have overcome the severe shock of our initial reverses, of which the fall of Hong Kong was psychologically the most serious, I feel that morale has steadied. The fall of Manila and the present threat to Singapore have prompted considerable press com-

¹¹ American member of the Chinese Stabilization Board.

¹² Gen. Sir Harold R. L. Alexander, British commanding officer in Burma, 1942, then Commander in Chief, Middle East.

¹³ Frank Knox, Secretary of the Navy.

¹⁴ German Chief of State, Führer, and Chancellor.

ment and counsel of a military and strategic character, but I do not detect any defeatist attitude.

The degree of resistance, or enthusiasm for resistance, may vary, but in the light of the present situation I do not anticipate any change in the basic character of the Chinese attitude. Chiang, irrevocably committed to resistance, should be able to maintain his leadership. The Chinese are, of course, disappointed over the prospect of a long war in the Pacific, but they believe in an American victory over Japan.

Mounting economic difficulties may cause a deterioration of National Government authority. The grant of a political loan or credit and its prompt use in such manner as may be practical may aid in arresting such a development. With both the military and the economic situation in mind, I am positive that greater and more concentrated efforts should be made to move Lend-Lease materials over the Burma Road. It is feasible to move such materials, but this would appear to require constant and persistent efforts to cause the Chinese to act.

GAUSS

*Madame Chiang Kai-shek to Mr. Lauchlin Currie, Administrative Assistant to President Roosevelt*¹⁵

CHUNGKING, January 18, 1942.

Although Generalissimo repeatedly made offer through Dennys¹⁶ and later Wavell¹⁷ to send two Chinese army corps reinforce Burma force offer was declined on grounds that Burma only needs three regiments. These regiments now sent to Keng-tung while offered army corps despatched China fronts.

740.0011 Pacific War/1690 : Telegram

*The Ambassador in Argentina (Armour) to the Secretary of State*¹⁸

BUENOS AIRES, January 19, 1942—2 p. m.

[Received January 19—1 : 59 p. m.]

113. *La Prensa* this morning published on first news page a special United Press despatch dated Chungking, January 17, reporting an interview by Frank Fisher¹⁹ with Dr. Sun Fo, President of the [Legislative] Yuan, with following editorial note :

¹⁵ Copy of telegram transmitted to President Roosevelt by Mr. Currie. Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

¹⁶ Maj. Gen. Lancelot Ernest Dennys, British Military Attaché in China.

¹⁷ Gen. Sir Archibald P. Wavell, British Commander in Chief, India.

¹⁸ Repeated to the Ambassador in China in the Department's telegram No. 38, January 21, 11 p. m., for his information and such comment as he might care to make.

¹⁹ Francis M. Fisher, United Press correspondent at Chungking.

"The following despatch which agrees with other reports on the Chinese Nationalist Government's great discontent over the manner in which the Allies have conducted the war and intend to carry on the campaign is highly significant."

It seems to me that articles of this character written by American Press correspondents are anything but helpful to the Allied cause.

Repeated to Rio de Janeiro.

ARMOUR

740.0011 Pacific War/2070

*Memorandum of Conversation, by Mr. Joseph W. Ballantine*²¹

[WASHINGTON,] January 21, 1942.

On January 20 Mr. Currie, following a conference which he had with the Secretary, called upon Mr. Hornbeck.²² Mr. Hamilton²³ and Mr. Ballantine were present. Mr. Currie said that he had information indicating that the Japanese have massed troops and about 450 planes on the Thailand-Burma border. He referred to an estimate which we had a few days ago of British origin under the heading "A Threat to Burma", in which it was pointed out that there are a number of highly compelling reasons why an attack by Japan in force upon Burma is to be expected. He referred to a report from General Magruder²⁴ that the British were apparently reluctant to accept a Chinese offer to dispatch three Army corps to Burma to help defend that territory against a possible Japanese attack, although they had agreed to receive three Chinese regiments. He said that he had raised with the Secretary the question of the desirability of inducing the British to accept the Chinese offer and that the Secretary had asked him to confer with Mr. Hornbeck. At the conference in Mr. Hornbeck's room all present concurred in the belief that the situation in Burma was critical and that it was even possible that it might be too late to do anything.

Mr. Currie also said that he has been informed by T. V. Soong²⁵ that Soong has received a message from his Government indicating that his Government does not like the plan which was proposed to it, by the Secretary of the Treasury,²⁶ through T. V. Soong. Mr. Hornbeck asked whether T. V. Soong has informed the Secretary of the Treasury of that fact. Mr. Currie replied that he had not yet done so.²⁷

²¹ Foreign Service officer detailed to the Department on special consultation.

²² Stanley K. Hornbeck, Adviser on Political Relations.

²³ Maxwell M. Hamilton, Chief of the Division of Far Eastern Affairs.

²⁴ Brig. Gen. John A. Magruder, Chief of American Military Mission to China.

²⁵ Chinese Minister for Foreign Affairs.

²⁶ Henry Morgenthau, Jr.

²⁷ For further correspondence on the United States loan to China, see pp. 419 ff.

After Mr. Currie left Mr. Hornbeck asked to see the Secretary.

In pursuance of Mr. Hornbeck's request the Secretary arranged to see Messrs. Hornbeck, Hamilton and Ballantine this morning. The Secretary mentioned his concern over the possibility after today of German and Japanese attacks upon the countries of South America and he said that he had decided to communicate to the War and Navy authorities his views in regard thereto. The Secretary then took up the subject of Mr. Currie's call on the previous day. He said he had tried to get in touch with the President yesterday afternoon in regard to the matter, but that he had been unable to reach the President. The Secretary asked why it was that the British had not accepted the Chinese offer to send three Chinese Army corps to Burma. Mr. Hornbeck said that this point had been discussed with Mr. Currie and that we had all felt that it was due to British reluctance to accept assistance from Orientals as derogatory to British prestige in Asia. In the course of discussion of this subject reference was made to the precarious position of the thirty or so ships at Rangoon laden with military equipment whose unloading had been held up by inability to get stevedores at Rangoon to unload them and to the large quantities of Lease-Lend materials at Rangoon awaiting shipment to China. There was also discussed a radio report this morning of a rapid falling back toward Singapore of the British lines in Malaya and the probability that the mainland would soon be evacuated by the British forces.

Mention was made also of the report received by Mr. Currie from Mr. T. V. Soong that the Chinese Government had reacted unfavorably to an offer of a loan communicated by the Secretary of the Treasury to Mr. Soong on the ground that this offer appeared to treat Chinese troops as mercenaries.

Mr. Hornbeck gave the Secretary a copy of a digest of an article by Mr. Paul Wohl which appeared in the *Baltimore Sun* of January 18 entitled "Hub of British Empire", and called to the Secretary's attention a memorandum²⁸ prepared in the Far Eastern Division yesterday on Singapore.

During the course of the conference the Secretary telephoned the President and communicated to the President (1) his concern over the possibility of German and Japanese attacks upon the countries of South America; (2) the critical situation in Burma as outlined above and the reported refusal of the British to accept Chinese military aid; (3) the reported falling back of the British in Malaya upon Singapore and (4) the report we had received of adverse Chinese reaction to the offer communicated by the Secretary of the Treasury to Mr. T. V. Soong. The President replied stating that he also felt concern over the situation in Burma, that the report had also reached him of the

²⁸ Not printed.

falling back of the British upon Singapore, and that he was conferring at noon today with the authorities of the War and Navy Departments.

The Secretary indicated to Messrs. Hornbeck, Hamilton and Balantine that he expected to confer later on today with officials of the Army and Navy to inform them of his views in regard to the possibility of German and Japanese attacks upon the countries of South America and that he would on this occasion also take up with them the situation in Burma and Malaya.

740.0011 Pacific War/1720 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, January 22, 1942—noon.

[Received January 22—11:05 a. m.]

51. The recent United Press report of an interview with Sun Fo has not been released here, but I have obtained the signed text of the interview from which certain phrases, as indicated by parentheses, were deleted by the censor. For instance, Dr. Sun stated, for quotation,

“If the Allies’ policy is to remain solely on the defensive in the Pacific and concentrate all energies in Europe I [*it*] would seem to be a broad hint to China (to come to some sort of terms with Japan or) simply to sit tight (and cease fighting), thereby bringing an end to the suffering and bloodshed here at least until Hitler is eliminated.”

I do not consider that Dr. Sun’s statement is representative of general China’s swelling [*feeling?*] official or public (my telegram No. 45, January 17, 11 a. m. gives, I think, a reasonably correct account of the situation although there would seem to be evidence of official desire to whip up resentment) but it cannot be overlooked that responsible government authorities acquiesced in its issuance if they did not actually plan it. I believe that the part which ulterior motives may have played in prompting the issuance of the statement will be apparent to the Department.

GAUSS

740.0011 Pacific War/1877

Memorandum by the Assistant Secretary of War (McCloy) to the Assistant Secretary of State (Acheson)

WASHINGTON, January 24, 1942.

Following up my memorandum of January 10,³¹ I am not yet able to report as to what, if any, agreement has been reached regarding the intervention of Chinese forces into Indo-China.

³¹ *Post*, p. 751.

I am able to report, however, that it has been determined to send a senior officer to China to act as Chief of the Generalissimo's Joint Staff and to have executive authority over certain Chinese troops, particularly, those in Burma. This officer will be assisted by two other officers, one an Air Corps officer of general rank and the other, a ground officer. The ranking officer will be General Joseph W. Stilwell. The Staff is anxious that no publicity whatever be given out on this matter until after the officer arrives in China.

JOHN J. McCLOY

740.0011 Pacific War/2069

*Memorandum of Conversation, by the Counselor of Embassy in China (Vincent) to the Ambassador in China (Gauss)*³²

[CHUNGKING,] January 24, 1942.

I saw Mr. Fisher this morning and read him the Department's 38, January 21, 10 p. m.³³ He said that he had obtained the interview in response to instructions from his New York office, which had requested an interview with a high Chinese official, preferably Chiang Kai-shek, in regard to Chinese reaction to the statements by Alexander and Knox on January 10 and 12, respectively.^{33a} Not having been able to obtain a statement from General Chiang, he had found that Dr. Sun Fo (President of the Legislative Yuan) was willing to make a statement. He pointed out that his report of the interview was entirely objective, containing only a summary lead and the quoted statement without any expression of opinion on his part.

I told him that we did not consider Sun Fo's statement as representative of general Chinese official and public opinion, and informed him of the gist of our telegram no. 51, January 22, 12 noon. I said that I had been following the Chinese press rather carefully and been in contact with numbers of Chinese officials and that I had not detected evidence of a defeatist attitude such as that in Sun Fo's statement.

Mr. Fisher said he thought the Sun Fo statement was representative of a certain section of Chinese opinion, and felt its publication had been beneficial in provoking reassuring statements from American officials which, in turn, had caused a modification of Chinese feeling. He agreed, however, that Sun Fo's statement could not be taken as representing Chinese feeling generally.

Mr. James Stewart, who was also present during the conversation, referred to a story which he had sent in to *Time* Magazine in which he

³² Copy transmitted to the Department by the Ambassador in China in his covering despatch No. 283, January 26; received March 6.

³³ See footnote 18, p. 5.

^{33a} See telegram No. 45, January 17, 11 a. m. from the Ambassador in China, p. 4.

had reported Chinese indignation over the statements of Alexander and Knox and also indignation over the manner in which the British were handling matters in Burma. He said that he had quoted no officials, but said that his sources were close to the Generalissimo's headquarters.

Reference was also made during the conversation to a report sent in by Reuters correspondent (Thomas Chao) which had taken the British severely to task for their ineptitude and "insincerity" in providing for Far Eastern defenses. (Subsequently, at the British Embassy, Sir Archibald Clark-Kerr³⁴ showed me a section of the Reuters report which had been censored, containing a bitter and unobjective denunciation of the British).

Mr. Fisher, in commenting on his interview with Dr. Sun Fo, stated that Dr. Sun, before signing the prepared statement, had commented on the strength of some of the language and had asked Dr. Quo Tai-chi, ex-Foreign Minister, who was also present, what he thought of it. Dr. Quo replied that it looked all right to him; to let it go. Dr. Sun remarked that it had a hint of blackmail in it, but agreed nevertheless. The most outspoken portion was subsequently deleted by the censor without prior reference back to Dr. Sun Fo.

Mr. Fisher told me that General Chiang Kai-shek was critical of the interview when it was brought to his attention and that it was decided that should there be any approach from allied Governments in regard to the statement, Dr. Sun Fo would claim that he had been misquoted. (The Embassy has in its files the original text of the interview, signed by Sun Fo,³⁵ with the comment "Seen and approved", and with the "O. K., with these changes", of the censor, Dr. Hollington K. Tong.³⁶)

JOHN CARTER VINCENT

893.34/254

The Chinese Ambassador (Hu Shih) to the Secretary of State

The Chinese Ambassador presents his compliments to the Secretary of State and has the honor to submit for his consideration a request of the Chinese Government contained in a telegram from Chungking as follows:

Since the outbreak of the war in the Pacific, the U. S. S. *Tutuila* has been left unmanned and anchored at Chungking. The Chinese Ministry of War feels that, in view of the increasing volume of war transport on the rivers and the inadequate supply of vessels, it would be a valuable contribution to China's war effort if the United States

³⁴ British Ambassador in China.

³⁵ Not printed.

³⁶ Chinese Vice Minister of Information.

Government could agree to the temporary use by the Chinese Government of the above-mentioned vessel for transport purposes during the present emergency.

For the information of the United States Government, it may be mentioned that two British gunboats, the *Falcon* and the *Gannet*, have been assigned to the Chinese Government for similar purposes.

The Chinese Ambassador will be grateful if the Secretary of State will be so good as to refer the matter to the appropriate branch of the United States Government for their consideration.

WASHINGTON, January 27, 1942.

740.0011 Pacific War/1887 : Telegram

*The Military Mission in China to the War Department*³⁷

[CHUNGKING, February 3, 1942—10:44 a. m.]

No. 241. On December 23rd, at a preliminary allied conference Chiang Kai Shek suggested that a continuing military council be inaugurated. The council was informally constituted with Ho Ying Chin³⁸ and the Chiefs of the U. S. and British Military Missions designated by the conferees as representatives. It should be brought to the attention of the Secretary of War and the Chief of Staff that this Chungking council meets once a week and more often if necessary and is beginning to furnish excellent ways of investigating preliminary problems and of forming recommendations for the governments concerned or for coming to an understanding for united action.

Representative of the problems considered are logistical considerations of potential military action, problems which consider railway, signal and road communications between India, China and Burma and retransfers of lend-lease materials between Great Britain and China.

MAGRUDER

893.34/254 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, February 5, 1942—9 p. m.

68. The Department has received through the Chinese Embassy a communication from the Chinese Government requesting that the U. S. S. *Tutuila* at Chungking be assigned temporarily to the Chinese Government for transport purposes during the present emergency, and

³⁷ Original telegram received by the War Department February 2, 3:39 p. m., and paraphrase transmitted to the Department of State; noted by the Secretary of State.

³⁸ Chief of Chinese General Staff and Minister of War.

adding that the British gunboats *Falcon* and *Gannet* have been assigned to the Chinese Government for similar purposes.

Department understands from the Navy Department that the *Tutuila* has been decommissioned and that the Embassy is now using a portable radio operated by naval personnel. As assumably the primary usefulness of the vessel to the Embassy has been as a communications station, as communication facilities can apparently be continued ashore, and as there would not seem to be any practical use to which the vessel might be put in the interests of this Government, there would seem to be no reason for not meeting the Chinese request, if the Navy Department is agreeable to doing so.

Before a decision is made in regard to the Chinese Government's request, the Department would appreciate receiving by telegram your comments and recommendations.

HULL

123 Davies, John/209

*The Assistant Chief of Staff, G-2 (Gerow) to the Department's
Liaison Officer (Wilson)*

WASHINGTON, February 5, 1942.

Subject: Mr. John Davies³⁹ to accompany China Military Mission under Major General Joseph W. Stilwell.

The following is the subject matter of a memorandum addressed to General Gerow:

1. I believe that it would be a great assistance to me to have as part of my staff a member of the State Department. There is certain to be considerable business with our own Embassy and Consulates in China and India; and business with British Government officials in India and Burma, which may require Consular assistance.

2. Request that the State Department be asked to attach Mr. John Davies (now in Washington) to my staff as liaison agent for the duration of this mission, or for such time as his services are required. I am acquainted personally with Mr. Davies, and believe that his China background will be of considerable value to me.

3. It is expected that my staff will depart between February 10th and 15th.

Joseph W. Stilwell
Major General, U. S. Army

This memorandum has been concurred in by G-2.

It is requested that this memorandum be brought to the attention of the Far Eastern Section of the State Department for action.

For the A. C. of S., G-2:

W. M. ADAMS,
Major, MI,
Chief, Military Attaché Section

³⁹ Second Secretary of Embassy in China.

893.34/255 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, February 9, 1942—noon.

[Received February 9—5:51 a. m.]

100. Your 68, February 5, 9 p. m. Embassy knows of no reason why the *Tutuila* should not be transferred to the Chinese Government. I might point out, however, that the ship is an oil burner, there is no reserve fuel supply available and the ship is small and of little value for transport purposes.

The British are making available to the Chinese Government the *Falcon* and *Gannet* at Chungking and perhaps the *Sandpiper* at Changtao.

If transfer of the *Tutuila* to the Chinese Government is made it should be outright with no thought of recovery after the War in usable condition.

Naval and Military Attachés concur.

GAUSS

*President Roosevelt to Generalissimo Chiang Kai-shek*⁴⁰

WASHINGTON, February 9, 1942.

We are rapidly increasing our ferry service to China via Africa and India. I can now give you definite assurances that even though there should be a further setback in Rangoon, which now seems improbable, the supply route to China via India can be maintained by air.

The whole plan seems altogether practical and I am sure we can make it a reality in the near future.

ROOSEVELT

893.248/261 : Telegram

*The Military Mission in China to the War Department*⁴¹

[CHUNGKING, February 10, 1942—12:30 p. m.]

No. 256 AMMISCA. It is a known fact that the Chinese are great believers in the world of make-believe, and that they frequently shut their eyes to hard and unpleasant actualities, preferring rather to indulge their fancy in flattering but fictitious symbols, which they regard as more real than cold facts. Manifestations of this national

⁴⁰ Copy of telegram transmitted through unidentified channels. Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

⁴¹ Original telegram received by the War Department February 12, 4:19 p. m.; paraphrase transmitted to the Department of State, received February 16.

escape-psychology have been clearly discernible in China's international relations. She has consciously given free rein to her native penchant for alluring fiction in Chinese propaganda abroad. People in other countries swallow such glib untruths whole without realizing that they are being deceived. As instances of this deceptive symbolism, I may adduce many reports emanating from Chinese diplomatic sources abroad, referring to the marvelous achievements and abilities of the Chinese Army. Such reports are absolutely without foundation. They are largely due to the above-mentioned Chinese love of symbolism, or else can be attributed to nothing other than a downright desire to achieve certain specific objectives by clever deception.

Such a spirit of Chinese symbolism is deep-rooted in the United States, mainly because of Chinese propagandists in America, and because of the sponsorship accorded such propaganda on the part of many outstanding individuals, including missionaries as well as adherents to radical and liberal viewpoints. This propaganda has influenced public opinion in the United States, usually so sane and well-informed, to a surprising extent. The realization of its falsity would undoubtedly result in the lessening of positive American support for Chinese projects that are devoid of any sound justification, even if it did not result in a weakening of the emotional appeal which China has always held for a great many Americans, many of them veterans in things Chinese.

Chinese officials demand such impossible quantities and such impractical varieties of arms and munitions that they are fast becoming a headache to deal with. Over and over again they recommend that air activity be carried on with Chinese landing-fields as bases. When they are politely told that no adequate transportation facilities are available for handling even a slight fraction of the tonnage needed for such air activity, they refuse to change their minds. They are unwelcome to any helpful suggestions about even the simplest methods of increasing the available rolling tonnage over present-day roads, yet at the same time they continually demand aid for projects that are unnecessary and chimerical. They know little or nothing about ships and maritime matters, such as the meaning of turn-around and the limitations imposed by floating tonnage.

It is true that Japan's occupancy of China has for her the disadvantage of keeping her occupying forces away from other theaters of war, but nevertheless this military drawback is fairly well offset by advantages of the economic order. The Nipponese forces in China are given no trouble at all, except in places where they wish to repress guerillas from roaming around in quest of political or economic gain. It is foolish to label the reoccupation by Chinese forces of territory voluntarily evacuated by the Japs as a smashing victory for China.

The American press has given absolutely disproportionate prominence to trivial engagements between Chinese and Nipponese forces.

Contrast such propoganda with the true picture. Japan has the best parts of China, including all of the seaports, under her own control. To maintain this control it is estimated that she maintains twenty-eight Japanese divisions (most of them inferior) in China. Some of these divisions are kept there for the purpose of handling any trouble on the Soviet front.

All that China says about her being unable to inaugurate an offensive on a large scale is quite true, because of the fact that she lacks the proper weapons for offense. However, she herself is to blame for her failure to carry on a successful program of annoyance and attrition. The reasons for this failure are found in her own lack of aggressiveness and initiative, and in the age-long practice of Chinese commanding officers of regarding their soldiers as static assets, to be conserved for assistance in fighting against their fellow-countrymen for economic and political supremacy.

Our extensions of credit and shipments of matériel to China have to a great extent given the lie to certain accusations hitherto leveled at us in some international circles. However, such assistance, no matter how great, is not to be regarded as having added substantially to China's striking-power. The brunt of any offensive warfare in China must be borne by foreign troops sent there by Allied powers, and the only thing which we can with any confidence expect from the large resources of Chinese manpower is that they occupy areas evacuated by the enemy and consolidate advances won by others.

These remarks must not be construed to mean that I am against our lease-lend policy with regard to China. On the contrary, I am as much in favor of this policy as ever, mainly because of the foreseen positive benefits that are ultimately going to result from it. Some of these positive benefits are: the maintenance of Chiang Kai-shek in power; the preservation of a spirit of at least silent opposition on the part of China's multitudes, and the possibility of employing Chinese landing-fields as air bases for bombing Japan.

Some radio broadcasts heard from San Francisco's KGEI give me great cause for alarm. If they are at all typical, the true state of affairs in China is being seriously distorted, and China's military successes are being highly exaggerated, by what is given out in American newspapers and over American broadcasting stations. There is grave danger that such continued distortions of fact as to the prowess of China's military forces are spreading about a false sense of security on the part of the rank and file in the United States, and even on the part of Chinese officials themselves. It is highly possible that such propoganda could lead to grave defects in American war plans, if our

own officials should be influenced by it even to the slightest extent. Perhaps all this is designed to raise popular morale in the United States and to flatter the Chinese. If so, it is going a bit too far.

An attitude of mind which, if not checked, is liable to spread in China and to become positively dangerous to us is indicated by the childish displeasure evidenced by high-ranking Chinese officials at a general statement recently issued by Secretary Knox.

Chiang Kai-shek can be expected neither to abdicate of his own free will nor to be ousted without a fight. He is a remarkable figure. It is due almost to his influence alone that the Chinese are held together as a nation. We should support him to the full, but yet be ready to oppose and temper his frequently exorbitant demands with prudence and intelligence. He can well be reminded that China, which has more than any other nation to lose if Japan wins the war, is putting out the least war-effort of all the Allies. Her contribution to the military strength of our Allied forces has been grossly exaggerated in propaganda emanating from both American and Chinese sources. Such a misconception as to the part China can accurately be expected to play in this war may harm us greatly if our own war plans are based at all substantially on any such exaggerated expectations. We shall consequently have to do away with all sham and pretense in our future discussions with Chinese officials concerning China's position in our collective war-strategy.

[MAGRUDER]

740.0011 Pacific War/1866a : Telegram

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

WASHINGTON, February 11, 1942—3 p. m.

527. Personal for Churchill ⁴² from Hopkins.⁴³

"Apropos of your telephone call I talked to the President last night, and he sees no difficulty whatever in China sitting in on your Pacific Council in London."

HULL

740.0011 Pacific War/1965

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

[WASHINGTON,] February 12, 1942.

The Minister of the Netherlands ⁴⁴ asked to see me urgently this evening in order that he might read to me a telegram he had received

⁴² Winston S. Churchill, British Prime Minister.

⁴³ Harry L. Hopkins, Special Assistant to President Roosevelt.

⁴⁴ A. Loudon.

under date of February 11 from the Governor General of the Netherlands East Indies.

The Minister emphasized that this message undoubtedly had been sent by the Governor General after the latter had conferred with General Wavell.

The substance of the message was as follows:

The attitude of China was altogether unsatisfactory. In December the Chinese Government had offered the Allied Governments two army corps and one army corps had been accepted by the Allied Governments. Since that time only part of one army corps had been placed by China at the disposal of the Inter-Allied Command.

Notwithstanding, the Chinese Government was still complaining that its offer of help had been refused by the Allies.

Owing to the lack of any action by the Chinese Government against the Japanese in China, Japan had been enabled to take out of China five divisions of Chinese [*Japanese?*] troops.

The Governor General of the Netherlands East Indies understands that China has no idea of undertaking any large offensive before the Allied Governments undertake a major offensive.

In his judgment China has more than sufficient means to undertake an offensive but wishes to wait until the end of the war "probably for political reasons".

I told the Minister that I would communicate this information to the President for such disposition of it as he might determine.⁴⁵

893.20/743 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, February 13, 1942—7 p. m.

97. Major General Joseph W. Stilwell is proceeding to Chungking as the head of a military mission to China which will include the functions of the Magruder groups. The War Department has informed General Magruder of the character and functions of the Stilwell mission. Prior to General Stilwell's arrival you may wish

⁴⁵ Mr. Welles forwarded this memorandum to President Roosevelt in a letter dated February 12, 1942, in which he stated:

"In accordance with our telephone conversation of this evening, I am sending you herewith a memorandum of my conversation with the Dutch Minister of today's date. You said that you wished to bring this matter up for discussion at your meeting on Saturday morning.

In accordance with your request, I have sent copies of this memorandum to General Marshall and to Admiral Stark."

George C. Marshall, Chief of Staff, U. S. Army; Harold R. Stark, Chief of Naval Operations.

to obtain from General Magruder further details with regard to the Stilwell mission.

John Davies, Jr., F.S.O. VII, has been assigned Consul at Kunming, designated Second Secretary at Chungking for temporary duty, and detailed to the Stilwell mission for liaison purposes. He is proceeding promptly, carrying full instructions as to his duties.

HULL

123 Davies, John/208

The Secretary of State to Mr. John P. Davies, Jr.

WASHINGTON, February 13, 1942.

SIR: Reference is made to your assignment to Kunming as Consul, designation as Second Secretary for temporary duty at Chungking, and detail to the American military mission under command of Major General Stilwell for certain liaison duties.

Previous instructions to you on this subject are hereby supplemented as follows:

It is understood that the liaison duties for the military mission for which you are detailed are to be undertaken by you at the direction and under the supervision of General Stilwell. As a Foreign Service Officer, and especially as a member of the staff of the American Embassy in China, the Department desires that when in China you in so far as practicable keep the American Ambassador to China and through him the Department adequately informed in regard to the activities of the military mission in so far as those activities are appropriately of interest to the Department and the Embassy. When on duty with the military mission at points outside of China, please endeavor to follow a similar procedure with regard to the senior Foreign Service officer stationed in the area.

Very truly yours,

For the Secretary of State:
G. HOWLAND SHAW

893.248/261

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton)*

[WASHINGTON,] February 16, 1942.

Reference the telegraphic report, no. 256 AMMISCA, from the Magruder Mission, Chungking, China, of February 10, 1942.

The writer of the report under reference does not, in my opinion, present his facts in accurate perspective.

Some of the statements as to fact are accurate. Some of the statements as to fact reflect an attitude of a person who is too close to unpleasant detail and who has forgotten or overlooked broader aspects. Also, the report omits statements as to a number of significant facts.

The Chinese have fought for four and one-half years. They have suffered tremendously in blood, in treasure, in forced removal from their accustomed homes. They have done some remarkably good fighting and some remarkably heroic things. The fact that they have kept going along in the face of what they have suffered is the most remarkable development of the last few years in the Far East.

The Chinese, like the people of any other country old in historic experience, are adept in pitting one foreign nation against another and in endeavoring to cause foreign nations to fight China's battles. There is much of inefficiency in present-day China—as there has been for centuries. There is undoubted incompetence. There is undoubted confusion. But, there is a real spirit of nationalism. There is also in present-day China something of a renaissance of spirit flowing from China's contacts with the Occident, principally its contacts with the United States. There is also an awareness of what Japanese mastery of China will mean to the Chinese people. There is thus amongst all the shortcomings a spirit striving toward liberty.

There is, moreover,—and this the Magruder Mission's report under reference emphasizes—the person of Chiang Kai-shek. Chiang Kai-shek's determination, his persistence, his on the whole broad-gauge outlook constitute perhaps the most important element in China as a fighting ally.

On the spirit of liberty which is still alive in China and on Chiang Kai-shek it is believed that the United States should continue to build. No early and great offensive by China is to be expected. The Chinese probably lack the spirit, and they certainly lack the matériel (air force, artillery, et cetera) to undertake any large-scale and real offensive *at this time*.

Modern-day China represents a mass movement of people led by a great leader. It is on this that the United States should build and it is believed that, while such building will require time, patience, and great effort in many fields on our part, China can constitute a valued and effective ally in the common war effort.

M[AXWELL] M. H[AMILTON]

740.0011 Pacific War/1965

*Memorandum by the Adviser on Political Relations (Hornbeck) to
the Under Secretary of State (Welles)* ⁴⁷

[WASHINGTON,] February 16, 1942.

MR. WELLES: Reference, your memorandum of conversation with the Netherlands Minister, on February 12, subject of which was Chinese attitude regarding war.

With regard to the message from the Governor General of the Netherlands East Indies the substance of which was as outlined in your memorandum:

Is it to be wondered that the Chinese Government has not rushed into offensive military operations? Should it not be remembered that Chiang Kai-shek has for four and one-half years successfully carried on defensive operations which most of the military experts of practically all of the other powers (including Japan) thought and said at the outset and at intervals could not be continued beyond a few weeks or at the utmost a few months; that throughout that period Chiang Kai-shek has begged the powers to give him equipment; that neither the British nor the Dutch gave him, until they themselves were drawn into war in the Far East, anything; that but for Russian and American aid, Chiang would have had nothing from outside; that Russian and American aid have never, even to this day, reached large proportions—on a comparative basis; that Chiang has not today the airplanes or the artillery that are needed for the prosecution of a strong offensive movement; that Chiang sees the United States, Great Britain and the Dutch strictly on the defensive in the Far East; that Chiang has been foremost among the now associated military leaders in urging prompt coordination of effort; that Chiang has seen, even as the Dutch have seen, the United States and Great Britain assuming a position of somewhat dictatorial superiority in the United Nations councils; that Chiang has reason to believe that his military judgment is at least as good as that of any of the British or American generals and admirals (with the possible exception of MacArthur) who have thus far been put to test in the matter of operations during recent years; and that Chiang is just as much entitled and just as well qualified to play national interest politics in connection with allied strategy as are responsible leaders of any other of the allied nations.

⁴⁷ The Chief of the Division of Far Eastern Affairs (Hamilton) concurred in this memorandum and suggested that Mr. Welles call in the Netherlands Minister to "straighten" out the facts; Mr. Hornbeck, in a separate memorandum to Mr. Welles on February 16, also suggested that he "talk with the Netherlands Minister toward straightening out—or flattening out—the Dutch criticism of the Chinese attitude regarding the war." Mr. Hornbeck added: "In view of a peculiarly 'sour' telegram which General Magruder sent the War Department under date February [10-] 12, I would suggest that you also have this subject in mind when next you talk with General Marshall and Admiral Stark."

To speak of "the lack of any action by the Chinese Government against the Japanese in China" is to talk nonsense. While doubtless it is true that the recent Chinese victory at Changsha was not as glorious as Chinese reports would indicate, that victory also was a good deal more substantial than some of the foreign military critics are now making it appear to have been: it was substantial enough to have convinced the responsible Japanese general that he had suffered a defeat sufficient to call for his committing hara-kiri; it does constitute the only case in which one of the fighting members of the United Nations group has definitely repulsed a substantial Japanese offensive during the warfare of the past ten weeks.

The idea that "China has more than sufficient means to undertake an offensive but wishes to wait until the end of the war 'probably for political reasons'" is open to a good deal of easy refutation. China is definitely short on means for a large-scale offensive. Yet, China has indicated willingness to give support—at various times and for various theaters of operations; the British rejected Chinese offers in connection with Hong Kong and in connection with the Malay Peninsula until too late; the British have been reluctant to accept Chinese aid in connection with Burma; and there is no indication that in the allied councils there has been given any encouragement to the Chinese idea of a Chinese invasion of Indochina.

Chiang Kai-shek knows perfectly well that the recognition which the powers other than Russia and the United States have given to his efforts, recognition given only since December 7, is a recognition which arises out of the realization by those powers of their own needs and not out of overwhelming sympathy by those powers for the cause of defending China's sovereignty and independence. Chiang probably sees no good reason why he should launch an offensive for which he is not prepared while the other powers do not launch offensives for which they are not prepared. Chiang no more desires to tempt Japanese bombing planes to begin again their brutal hammering of China than we have to tempt them to begin a bombing of the United States.

The Chinese at least have a record of having "taken it" for four and one-half years and having destroyed a million Japanese and having absorbed 25 billion yen of Japanese expenditure on war effort.

In connection with the above, I call attention to expository paragraphs in Hugh Byas' *The Japanese Enemy*, and to a brief memorandum of today's date⁴⁸ in which I have commented on and copied a few statements from that book. Note especially Mr. Byas' statement that "Realism might begin by dropping the fiction that China can give us substantial military help at present. Chiang Kai-shek is pinned in his remote northern hinterland by superior Japanese forces.

⁴⁸ Not found in Department files.

He cannot defeat them until he gets the planes, tanks, and guns needed. This does not minimize his heroism or the strength of his resistance. It has been a magnificent feat, but it has consisted in harassing the Japanese army along their extended lines and refusing them the orderly occupation in which they could sit down and exploit their gains. Later, when the Japanese line begins to sag and break everywhere, it will break in China also."

It is interesting to find that coinciding in time with the coming of this complaint from the Dutch, with an implication that General Wavell concurs, there has come into the War Department, under date Chungking February 10, a long telegram from General Magruder heartily "damning" Chinese mentality and deeds in so far as military activities are concerned. Still more interesting, however, is the fact that, in the course of this over-all "damning", General Magruder makes a statement which in effect flatly contradicts the Dutch contention that the Chinese are equipped for an offensive. General Magruder says: "All that China says about her being unable to inaugurate an offensive on a large scale is quite true, because of the fact that she lacks the proper weapons for offense. However, she herself is to blame for her failure to carry on a successful program of annoyance and attrition."

S[TANLEY] K. H[ORNBECK]

893.248/261: Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, February 17, 1942—6 p. m.

110. 1. Have you seen General Magruder's strictly confidential telegraphic report to the War Department of February 10 in regard to the general military situation in China and related matters? If not, please ask General Magruder to show you a copy.

2. Department would appreciate your comments on General Magruder's report.

HULL

893.34/255: Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, February 17, 1942—8 p. m.

111. Your 100, February 9, noon. The Navy Department states that it sees no objection to the transfer to the Chinese Government of the U. S. S. *Tutuila* together with its equipment and stores. The Navy Department is initiating action to carry out the transfer under

the provisions of "Defense Aid". It is understood that, without obtaining additional specific legislative authority, there is no other available method of effecting the transfer.

The Chinese Embassy is being informed of the foregoing, with the request that the matter be considered as confidential until the transfer has been actually effected.

HULL

711.93/484

The Secretary of State to the Chinese Minister of Finance (Kung)

WASHINGTON, February 17, 1942.

MY DEAR DR. KUNG: I much appreciate your kind letter of January 14, 1942, which was left at the Department for me by Mr. Manuel Fox, and the generous personal comments you make therein.

I share your conviction that the traditional friendship of the United States and China now rests upon more solid and enduring foundations than ever before, and it is gratifying to know that we are associated with you and the other leaders of China in the common struggle for the preservation and victory of democracy.

With kindest regards [etc.]

CORDELL HULL

893.34/254

The Department of State to the Chinese Embassy

MEMORANDUM

Reference is made to the Chinese Embassy's memorandum of January 27, 1942 with regard to the proposed transfer of the U. S. S. *Tutuila* to the Chinese Government for transport purposes during the present emergency.

The Department has now received a communication from the Navy Department indicating that the Navy Department is agreeable to the transfer to the Chinese Government not only of the vessel itself but also of its stores and equipment and that the Navy Department is initiating action to effect such transfer under the terms of "Defense Aid". It is understood that there is no other available method of transfer without obtaining additional specific legislative authority.

It is requested that until the transfer is actually effected and the vessel is taken over by the Chinese Government the matter of the transfer be considered as confidential.

WASHINGTON, February 18, 1942.

893.248/262 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, February 21, 1942—1 p. m.

[Received February 21—11 : 55 a. m.]

141. Reference Department's No. 110, February 17, 6 p. m. Magruder showed me his telegram on February 15. A proper evaluation of China's military effort requires a sober estimate of what we may reasonably expect from China in this direction. I have repeatedly pointed out that China is not prepared physically or psychologically to participate on a major scale in this war, that the Chinese armies do not possess the supplies, equipment, or aggressive spirit for any major military offensives or expeditions, and that we should not expect from them more than a continuance of their past resistance to Japan. It would indeed be [be] unwise to count on more than that, whatever assurances or offers of greater cooperation may be forthcoming. In this connection see my telegrams No. 384, September 11, 7 p. m.;⁵¹ 494, December 14, 1 p. m.;⁵² 527, December 24, 1 p. m.;⁵³ 22, January 7, 9 a. m.;⁵⁴ 45, January 17, 11 a. m.; and the enclosure to my despatch No. 220, November 19.⁵⁵

It is true that the Chinese have made extravagant requests under the Lend-Lease program and that they have exploited the existing situation in their recent request for a huge loan. It is also true that China is not now making any all-out war effort on the military front; that the Chinese armies probably could do more by way of local offensives, harassing tactics against the enemy, and constant attacks on lines of communication and supply. I have for some time been of the opinion that Chinese reserves of supplies and ammunition are limited to a point where the high command does not wish to undertake extended activity until reasonably certain of its permanent effectiveness. The time may come when we may have to do some "plain thinking" but I believe that in the present circumstances we will accomplish more if we seek our ends by constant and realistic but tactful persuasion, remembering that the Chinese feel that they have sustained a patient resistance over long years.

The Generalissimo, in my opinion, is irrevocably committed to the policy of continued resistance to Japan and I do not believe that he could be supplanted or persuaded to stand aside to permit others to stand on that policy except under most extraordinary circumstances.

It is unfortunate that he seems in a measure to have lost his direct

⁵¹ *Foreign Relations*, 1941, vol. v, p. 537.

⁵² *Ibid.*, vol. iv, p. 753.

⁵³ Not printed.

⁵⁴ *Post*, p. 192.

⁵⁵ Despatch not printed; for the enclosure, see *Foreign Relations*, 1941, vol. v, p. 545.

and active interest in military affairs in recent years and to have acquired a touch of unreality derived from a somewhat grandiose or "ivory tower" conception of his and China's role in world affairs but we must take him with his weaknesses as well as his strength as the only person capable of maintaining China's resistance to Japan in the present conflict. We must also take China as she is with all her faults and shortcomings.

I agree that the American press has unwisely accepted and exaggerated Chinese propaganda reports of alleged military successes which with the exception of the Japanese reverse at Changsha have little foundation in fact or are distortions of minor skirmishes or Japanese withdrawals and it is true that American and other radio commentators and editorial writers are over-emphasizing the military potentialities of China's great manpower. I have confidence that this propaganda will not be permitted to affect American military planning to our future detriment. But I agree that all this fulsome praise of China's war effort may have the effect not only of intoxicating the Chinese with ideas of their own prowess over the past years in comparison with the military ability of the United Nations in Hong Kong, Malaya, Burma and the Netherland Indies, but also of inducing a greater complacency as to any vital need for real military effort on China's part at this time. I have recently approved and transmitted through the Department several messages to the Coordinator of Information,⁵⁶ [from] Fisher, of our information service here, directing attention to the overplay of Chinese propaganda reports of military successes.

GAUSS

740.0011 Pacific War/2066 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, March 6, 1942—3 p. m.

[Received 7:25 p. m.]

194. Summary of significant events in China since the outbreak of the Pacific War.

On December 8, the Generalissimo proposed to America, Britain and Russia a joint front against Japan and an Allied Supreme Command centering at Chungking. On December 9 China declared war on Japan and also declared that a state of war existed with Germany and Italy. The Chinese press, echoing the official feeling, urged Russian entrance into conflict with Japan. At the end of December

⁵⁶ William J. Donovan.

Generals Wavell and Brett ⁵⁷ held conferences with Chiang in Chungking. Subsequently Chiang accepted the post of Supreme Commander for Allied forces operating in China and border regions of Indochina and Thailand. Chinese troops, numbering about 50,000, have been sent to participate in the defense of Burma. Early in February General Chiang, his wife and staff members visited India via Burma, returning to Chungking March 5.⁵⁸

Aside from the successful repulse of the Japanese attack on Changsha at the beginning of January, there has been no military activity in China of note since war began. Chinese forces were unable to organize an offensive in time to relieve Hong Kong. Chinese military operations, much overplayed in the press, have been confined to minor clashes and to occupation of areas evacuated by the Japanese.

The authorities conservatively estimated that Japanese troops in China proper have been reduced from 37 to 28 divisions. There has been little evidence as yet that the Chinese are taking advantage of this weakening of the Japanese position. The American volunteer aviation group under Colonel Chennault ⁵⁹ has made a remarkably fine record and impression.

Kuomintang-Communist relations have been quiescent during the period under review.⁶⁰ Changes in government personnel have strengthened conservative party control.

In the economic finance field, interest has centered around the large American and British credits, granted to China in February and the manner in which they will be employed. Currency inflation, with resultant price rises, hoarding, and speculation continue to be a major concern. A "commodities administration" has been established with a view to stabilizing prices and attacking the hoarding situation. A new land administration has been set up ostensibly as a preparation for dealing with land problem. Past experience does not make for optimism with regard to the success of these organizations, but there is some reason for hope that in present circumstances they may attack the problems more resolutely. There are indications that the American credit might be effectively employed as an aid toward solving these problems and to stimulating production of consumption goods as well as to attack the currency inflation situation.

GAUSS

⁵⁷ Maj. Gen. George H. Brett, Chief of U. S. Air Corps.

⁵⁸ See bracketed note, p. 761.

⁵⁹ Claire Lee Chennault.

⁶⁰ See pp. 191 ff.

740.0011 Pacific War/2080 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, March 7, 1942—9 a. m.

[Received 12:20 p. m.]

195. Following comment is submitted in continuation of my No. 194 of March 6, 3 p. m.

The situation in China is not bright but it is not necessarily discouraging if judged with a sympathetic understanding of the Chinese and bearing in mind the limitations on what we may reasonably expect from this country.

Continued United Nation reverses in the Pacific undoubtedly give support to those who would seek an understanding with the Japanese. Should Burma fall to Japan and China become isolated, a passive attitude of wait and see might conceivably develop in that country especially if the Japanese did not resume military pressure against China. An undeclared peace involving virtual cessation of hostilities and a gradual breakdown of trade and other barriers between occupied and unoccupied China is a possibility which should not be ignored.

China is to us a minor asset at this time. Our task is to prevent her becoming a liability and to raise the value of the asset so far as possible, to encourage resistance and to increase its effectiveness. We should seek to maintain Chinese confidence in our ultimate victory and cultivate Chinese consciousness of their position as co-equal partners in the war and a realization that their national interest lies in our common victory.

The recent American loan if properly utilized can strengthen China's economic and financial structure and the more widely dispersed the benefits from the loan the more substantial will be the desired effect.

Military assistance particularly in aviation would have a psychological effect perhaps greater than the military benefit. The presence of an American military mission in China is not enough. American air forces even though limited would give China positive evidence that we are fighting together for the Chinese as well as ourselves. The successes of the American volunteer group in Yunnan and Burma have had a splendid effect on Chinese morale and if later this group moves to Chungking it will have a substantial effect on the morale here which many observers insist is lower than elsewhere in Free China. The strength of the American volunteer group in personnel and equipment should be maintained and gradually increased whether or not the unit is incorporated into the United States Army.

Efforts should be continued to send supplies to the Chinese armies; but we should not expect those armies to carry out major offensives

under present circumstances. It has been unfortunate that the press and other publicity organs recently have been overplaying Chinese military activity and prowess.

The Chinese Armies have a very definite utility which should be encouraged by practical operations within the limit of their capabilities and full credit should be given when it is due; but exaggeration of China's military strength encourages complacency and invites ill-founded and detrimental comparison with other military forces.

The program of the Cultural Relations Division of the Department⁶¹ can contribute toward encouraging a friendly relationship in special groups, particularly the educational group.

The Information Service of the Coordinator of Information can also be most helpful. I suggest that its primary objective should be the prompt dissemination of straightforward factual news devoid of obvious propaganda. This applies to radio broadcasts and news services and also to the selection of printed material for dissemination in China. Since the Chinese withdrawal to Western China there has been a dearth of those American periodicals and publications through which intelligent Chinese kept abreast of American opinion and activity, and this situation is now aggravated by the non-receipt of any American mails of any class. I urge that there be no transport priority for propaganda material for China over regular mails and periodicals and that the transmission of periodicals be emphasized as a major effort of the Information Service to give the Chinese not propaganda material but the publications upon which they have for some years relied for their contact with American life and opinion. Even limited numbers of copies of such periodicals as *Time*, *Newsweek*, *Reader's Digest*, *Life*, *The New Republic*, *Foreign Affairs* and the Weekly News summary sections found in metropolitan papers such as the *New York Times* and the *Chicago Daily News* et cetera would be most useful for distribution to those groups which form or influence in a large degree such public opinion as exists in this country.

Basically, I believe that most intelligent Chinese have confidence in an American victory and in China's interest to aid it. Dissident and doubting elements can best be neutralized, and those sincerely desirous of full cooperation in the war can be encouraged, by making it constantly clear that frustration of Japanese ambitions is a common objective with positive ends worth fighting for—a free and cooperative Far East which will gain and give benefit in a social organization which respects national integrities but expects and stipulates collaboration in the interest of all peoples.

GAUSS

⁶¹ See pp. 697 ff.

*President Roosevelt to Generalissimo Chiang Kai-shek*⁶²

I have given careful study to your message of March 10⁶³ and appreciate the circumstances that have prompted your proposal. Since General Stilwell is an officer of the United States Army you will understand that the matter is one of extreme delicacy, particularly because, from this distance, it is most difficult for the British and ourselves to visualize the details of the tactical situation. However, one of the reasons that I directed General Stilwell, a senior and extremely able officer, to report to you was because I anticipated the occurrence in the Burma area of difficult problems in cooperation and coordination involving United States munitions, British units and the Chinese Army. Since the British Chiefs of Staff were fully acquainted with and approved General Stilwell's directive and purposes, it was my earnest hope that he would be able, on the ground, to find an acceptable solution to these problems, particularly whenever British forces and commanders were involved. I should like to request, therefore, that in the knowledge that General Stilwell possesses my confidence, you will accord to him full opportunity to work out this most delicate matter without involving a necessity of placing the question before the British Government.

In the meantime, I know that you will devote your maximum effort to the task of meeting the enemy and opposing his advance with every available unit at your disposal. I assure you that this Government is proceeding vigorously to find practicable ways and means of continuing its support to you, and has no intention of relaxing its efforts merely because the route from Rangoon has been interrupted. I feel sure that General Stilwell will be able to arrange a command set up satisfactory to you and that, moreover, he will find methods for assuring the continuity of U. S. supply to you and your Army. I realize that this may sound a little like temporizing on my part but I know you understand my problem of being so far away from the field of action. Confidentially I wish you would explore the possibility of Chinese command under you and General Stilwell in North Burma and British defense further south. This will give the British the chance to cover the approaches to India.

FRANKLIN D. ROOSEVELT

⁶² Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y. This message is copied from a War Department memorandum dated March 11, 1942, and was sent as message 272 on the same day. The actual message could not be located.

⁶³ This message proposed General Stilwell as commander in Burma.

740.0011 Pacific War/2066: Telegram

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

WASHINGTON, March 11, 1942—6 p. m.

162. Your 194, March 6, 3 p. m., and 195, March 7, 9 a. m. The Department has found your reference telegrams most helpful and particularly appreciates receiving the interpretative comment and constructive suggestions contained therein. The Department is bringing your suggestions to the attention of the governmental organs concerned.

WELLES

740.00116 Pacific War/23

The Chinese Ambassador (Hu Shih) to the Secretary of State

The Chinese Ambassador presents his compliments to the Secretary of State and has the honor to submit, on instructions from his Government, the text of a telegram received from the Ministry of Foreign Affairs, dated April 6, 1942, Chungking, which discloses definite information concerning the spreading of bacterial warfare in China by the armed forces of Japan.

In addition to the information contained in the telegram, there is being sent by air mail from Chungking a complete report giving full details on this subject. When this report is received, the Ambassador will forward a copy to the Secretary of State.

WASHINGTON, April 7, 1942.

[Enclosure]

Following is the text of a telegram received from the Ministry of Foreign Affairs, dated April 6, 1942, Chungking:

“National Health Administration Director-General Dr. P. Z. King’s statement on Japanese attempt at bacterial warfare against China and reports submitted by Chinese and foreign medical experts definitely prove that at least on five occasions Japan has resorted to ruthless bacterial warfare on China.

“In the first instance, a quantity of wheat grains was dropped by Japanese planes over Ningpo on October 27th, 1940. An epidemic broke out soon after and lasted thirty-four days claiming ninety-nine victims. Diagnosis of plague was definitely confirmed in laboratory test. On October 4th, 1940, a Japanese plane scattered rice and wheat grains and fleas over Chusien, Chekiang. Bubonic plague appeared thirty-eight days later causing twenty-one deaths. Kinghwa was attacked by three Japanese planes on November 18th, 1940, dropping a large quantity of translucent granules like shrimp-eggs. Micro-

scopic examination revealed the presence of plague bacilli though no epidemic resulted. On November 4, 1941, a Japanese plane visited Changteh, Hunan, dropping rice, paper and cotton wads on which bacilli were found. Later nine cases of plague were reported. Numerous circumstantial evidences including infected rats proved beyond doubt the origin of the epidemic. Lastly, a serious attack of plague has broken out in Suiyuan, Ninghsia, and Shensi. Six hundred cases were reported. A recent communiqué from local military authorities stated that a large number of sick rodents was set free by the enemy there."

WASHINGTON, April 7, 1942.

893.24/1324

The Office of the Chief of Naval Operations to the Department of State

WASHINGTON, April 16, 1942.

Memorandum for State Department:

The following information was received from the Naval Attaché at Chungking:

Central News with Washington date line of April 12th quoted Hon. Warren Robinson Austin, Senator from Vermont, as urging the United States redouble efforts to supply China with critical military equipment as quickest means of striking Axis while Allies marshal forces in the Pacific offensive. Frequent public utterances similar to this uttered by prominent individuals lately suggests widespread belief in potentiality of China as an active military factor in defeating Japan. If such conception is seriously held by those controlling high strategy it is fatally defective. It is highly desirable to continue to encourage China to maintain morale but there should be no illusions as to practical aspects as to actual situation. Lack of China's offensive spirit, physical and political, difficulties of transportation were continuously reported before the fall of Rangoon. The present situation is far worse. She is now completely cut off from supplies. Routes to India only projected and may never be built due deteriorating situation in Burma. Little hope offered by reopening latter area by counter attack due complete defection of population. The Generalissimo's determination to continue to resist is shown by his interest in new routes through Central Asia but such roads offer small hope of delivery effective quantities of supplies. The simple truth is that we will be well on way toward defeating Japan by the time lines can be opened for delivery in real quantity.

R. E. SCHUIRMANN⁶⁴

⁶⁴ Captain, U. S. N.

*The Chief of Staff (Marshall) to Generalissimo Chiang Kai-shek*⁶⁵

[WASHINGTON,] April 17, 1942.

"I have recently learned from General Stilwell that a special aircraft project which we have had under way for some time and which will involve a landing at one of your fields had not been completely coordinated with your desires. I want personally to express to you my deep regret that this matter was not brought to your attention in detail, at its inception. The necessity for secrecy has made me reluctant to discuss the subject by radio but I assumed that you had been completely informed by one of our Air officers formerly serving in China. The President is fully appreciative of your difficult situation and is particularly anxious that all our operations in your region be under your complete control and in conformity with your desires. Since he has learned that you consider the execution of this mission undesirable at this time he would be very glad to cancel it if this were possible and he regrets that he cannot now do so because of the imminence of execution. He is therefore especially grateful to you for the very effective measures you have directed to be taken to make the venture a success. I take this opportunity to assure you that in the future no U. S. Army effort will be undertaken in your theatre until I have received definite evidence that you approve in every respect. I hope that a considerable proportion of the airplanes involved will successfully complete the mission and thereafter be available, under General Stilwell's direction, to participate in U. S. air operations in India and China so as to support the magnificent effort you are making. By every means possible we are attempting to rush air support to that important region.

MARSHALL"

740.0011 Pacific War/2429

*The Chinese Ministry for Foreign Affairs to the Chinese Embassy*⁶⁶

Please consult the American Government on the following scheme of propaganda vis-à-vis Thailand: The Generalissimo⁶⁷ to issue at first opportune moment a declaration of China's attitude towards Thailand emphasizing these points. First, the Allied Nations believe that Thailand's conclusion of alliance with Japan and declaration of war on Great Britain and the United States were done under Japa-

⁶⁵ Copy transmitted to President Roosevelt. The text of the message is preceded by the following sentence: "This message is to be delivered immediately and personally to the Generalissimo." Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

⁶⁶ Copy of telegram handed on April 18 by the Counselor of the Chinese Embassy (Liu Chieh) to the Assistant Chief of the Division of Far Eastern Affairs (Smyth).

⁶⁷ Chiang Kai-shek, Supreme Allied Commander in the China Theater and President of the Chinese Executive Yuan (Premier).

nese coercion as they took place after the landing of Japanese troops at Thailand. They regard Thailand only as Japanese-occupied territory and cherish no malice or enmity toward the people of Thailand. When opportunity offers, they will help the people of Thailand to remove Japanese oppression. Second, the Allied Nations have no territorial designs at Thailand nor cherish any desire to impair her independence. Third, the Allied Nations hope that the people of Thailand will not be the tool of Japan, as nothing but Allied victory will ensure sovereignty and territorial integrity of Thailand.

Generalissimo Chiang Kai-shek to the Chinese Minister for Foreign Affairs (Soong) ⁶⁸

CHUNGKING, April 19 [1942.]

With what has been happening lately, I am afraid you could no longer avoid having a frank heart-to-heart talk with the President, which I am sure he will not misunderstand. As you know, I have to fight continually against demoralizing doubts on the part of my officers, who conclude that American attitude towards China is in essence no different from that held by other nations, that both in the all-important matters of joint-staff conferences and war supplies, China is treated not as an equal like Britain and Russia, but as a ward.

The President has consistently shown himself to be the one great friend of China, and I may say on our part we have been loyally responsive. We have placed Chinese armies under American command, and we have shown every readiness to support American policies, sometimes even against our own judgment. All that we have and all that we are, we truly and unreservedly contribute to the cause of the United Nations.

What a contrast this is to the attitude of the British and Russians who, whenever it concerns their own interests, will not make concessions in the general interest, so that to this day they will not concede to the United States the direction and the location of the Supreme Military Council. The result of this non-cooperation is that there is in existence no organization to formulate and execute over-all strategy, and every country looks to its own immediate interests, so that the Axis is successfully imposing its grand strategy. What a difference there is between our attitude towards the United States and that of Britain and Russia!

If in future the Anglo-American joint staff is not enlarged to include China, and China is kept out of the Munitions Assignments Board, then China would be just a pawn in the game. Gandhi told me

⁶⁸ Copy of telegram transmitted to President Roosevelt. Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

when I visited India: "They will never voluntarily treat us Indians as equals; why, they do not even admit your country to their staff talks." If we are thus treated during the stress of war, what becomes our position at the peace conference? You must insist that we have our own stand, and we have our own independent position to uphold.

740.0011 Pacific War/2341 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, April 21, 1942.

[Received April 21—9: 59 a. m.]

444. The Minister of Information, Wang Shih-chieh, acting as Government spokesman today stated *inter alia* that China welcomed the clarification of MacArthur's unified command in the southwest Pacific no less than those more directly concerned and at the same time made a plea for a high command for all the United Nations forces. He said that in order that the various regional commands of the United Nations may achieve the greatest efficiency some central machinery, entrusted with adequate power to effect unification of purpose of the United Nations, is still necessary.

GAUSS

740.00116 Pacific War/23

The Secretary of State to the Chinese Ambassador (Hu Shih)

The Secretary of State presents his compliments to His Excellency the Chinese Ambassador and has the honor to refer to the Ambassador's communication of April 7, 1942 with which there was transmitted, under instructions from his Government, the text of a telegram dated April 6, 1942 received by the Ambassador from the Ministry of Foreign Affairs at Chungking in regard to the resort to bacteriological warfare by Japanese military forces in China.

Copies of the Ambassador's communication in question together with copies of its enclosure have been forwarded by the Department of State to the appropriate authorities of the Government of the United States.

WASHINGTON, April 21, 1942.

740.0011 Pacific War/2375 : Telegram

The Chargé in China (Vincent) to the Secretary of State

CHUNGKING, April 27, 1942.

[Received April 27—9: 25 p. m.]

465. In press interview Director of the Foreign Office Information Department stated that the United States has given many evidences

of importance it attaches to the Pacific theater of the war (as distinguished from the European theater). He urged intensification of offensive against Japan and in conclusion asserted that "it is only a natural tendency of the war for Britain and the Soviet Union to put the defeat of Hitler before everything but it is equally natural that China, the United States and other nations bordering on the Pacific should regard the defeat of Japan as their most important role and logical requirement of the entire strategy of the United Nations".

VINCENT

740.0011 Pacific War/2497

The Ambassador in China (Gauss) to the Secretary of State

No. 389

CHUNGKING, April 28, 1942.

[Received May 28.]

SIR: I have the honor to transmit a *Central News* report of April 27,⁶⁹ bearing the headline "Close Friendly Bonds Between China and Britain", and referring to the recent presentation of British decorations to Generalissimo Chiang Kai-shek and other Chinese officers.

This report is a virtual translation of an editorial appearing on the same day in the *Chungking Central Daily News*. Both the *Central News Agency* and the *Central Daily News* are official organs of the Kuomintang: and it may be assumed that the article and the publicity given to it are officially inspired. Any doubt that this is so would seem to be removed by the fact that when the American News broadcaster of the Kuomintang Publicity Board omitted mention of the article in his evening round-up on the day of its publication, he received within ten minutes an urgent telephone call from the Board insisting that he include adequate comment on the article in his broadcast for abroad.

This Embassy has from time to time in recent months reported the critical tone of the Chinese press and public opinion toward Great Britain since the fall of Hong Kong. This criticism has become more outspoken with the successive British defeats in Singapore and Burma and has received fresh material with the arrival of large numbers of Chinese refugees from Hong Kong and other occupied British territories.

Even high officials of the Chinese Government, such as the Vice Minister of Foreign Affairs,⁷⁰ Party officials, such as the Chief of the Overseas Board, and persons of the position of Madame Chiang Kai-shek have made in private conversations with me and members of the Embassy staff, embarrassingly frank derogatory statements concerning the British.

⁶⁹ Not printed.

⁷⁰ Foo Ping-sheung.

Comment in the press has been somewhat more controlled. Semi-official papers, such as the Army paper *Sao Tang Pao*, have for the most part confined their discussion of what they consider British failings to strategical considerations. But the *Ta Kung Pao* created a sensation by publishing on January 29 an article by its General Manager, who had escaped from Hong Kong, saying bluntly that the British had made no real resistance there. The *Ta Kung Pao's* editorial on the same day, entitled "Thoughts on the Kowloon-Hong Kong Fighting" and presumably commenting on this article, was completely deleted by the censor—an occurrence unprecedented for this important and influential paper.

This situation has become one of concern, not only to British officials in China, but also to Chinese propaganda officials who see it as a hindrance to the joint war effort of the United Nations. In a conversation on April 18, Dr. Hollington Tong, Vice Minister of the Kuomintang's Ministry of Publicity, took the occasion to say to me that he was "much worried over the alarming amount of anti-British feeling"—both in China and, judging from reports he had received, in the United States. He felt that something should be done to check it and to emphasize through propaganda that we are allies fighting together and giving each other mutual assistance. The British decision to decorate Chinese officers appears to have given the Ministry of Publicity an opportunity for such propaganda. With the recent defeats of British and Chinese forces in Burma, further efforts are being made to check overt criticism of the British.

Respectfully yours,

C. E. GAUSS

740.0011 Pacific War/2391 : Telegram

The Chargé in China (Vincent) to the Secretary of State

CHUNGKING, May 1, 1942—4 a. m.

[Received 5:32 p. m.]

491. Following from Macdonald⁷¹ at Kunming.

"April 30, 3 p. m. Tendency for civil government in Burma to collapse increased during April. By April 25 there was no civil government operating south of Mandalay. Breakdown in civil administration extends to other areas bombed by Japanese or threatened by attack. Collapse of civil government is due to desertion and flight of native officials who cannot stand bombings or threat of invasion. Many senior British officials are being sent to North Burma where it is hoped neutral [*sic*] powers can be strengthened.

⁷¹ John J. Macdonald, Second Secretary of Embassy.

Fifth column activities consisting of arson, railway sabotage and interference with telegraphic communication are increasing.

The Government is exerting every effort to evacuate 80,000 refugees to India.

The Governor informed me that American papers have reported the Chinese have taken over civil administration in Burma. These reports are not true and the governor requested that the Department be informed."

VINCENT

740.0011 Pacific War/2430

*Memorandum by the Secretary of State to President Roosevelt*⁷²

WASHINGTON, May 2, 1942.

There is attached for your consideration and approval the draft of a memorandum to the Chinese Embassy⁷³ in reply to a request from the Chinese Government, through its Embassy here, for an expression of this Government's views concerning a statement in regard to Thailand which it is proposed be issued at the "first opportune moment" by Generalissimo Chiang Kai-shek. The text of the Chinese Government's proposed statement is quoted in our proposed reply.

In speaking of the "Allied Nations", it is believed that the Generalissimo is merely giving his interpretation of the beliefs of the nations concerned and is not intending to speak formally for them or in their behalf. As, however, such use of the term might give rise to misunderstanding, we propose informing the Chinese Government that this Government, were it to have need of referring to the nations engaged in the common war effort, would use a slightly altered phraseology.

The reference in the proposed statement to acts of Thailand as having been committed under Japanese coercion appears to be somewhat at variance with the facts and with the propaganda directive heretofore followed by this Government and the British Government, namely, that, while expressing sympathy for Thai people it would be undesirable to stress too strongly that the Thai Government yielded to *force majeure* in signing a treaty of alliance with Japan. We propose calling this point to the attention of the Chinese Government.

It is suggested that, if the Generalissimo should issue the statement in question, you might care shortly thereafter to make a supporting statement at your press conference along lines somewhat as follows:

The statement made by Generalissimo Chiang Kai-shek in regard to Thailand is in accord with the principles of the Atlantic Charter

⁷² Notation by President Roosevelt: "C. H. O. K. F. D. R."

⁷³ *Post*, p. 39.

of August 14, 1941,⁷⁴ and of the Declaration by United Nations of January 1, 1942⁷⁵—no aggrandizement, territorial or otherwise. The Government of the United States believes that the people of Thailand are opposed to the Japanese occupation of their country. The Government of the United States continues to recognize the Minister of Thailand to the United States.⁷⁶

C[ORDELL] H[ULL]

740.0011 Pacific War/2414 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, May 5, 1942—3 p. m.

[Received May 6—8: 50 a. m.]

509. The impressions I bring back from India and Burma are far from encouraging. Burma is definitely lost and Assam would likely fall without resistance. The Chinese left flank in Burma broke while the Chinese reserves were engaged in the west endeavoring to extricate the British forces, and the situation is now one of complete rout, the Japanese advancing rapidly in all directions. Myitkyina was bombed ten minutes after my plane flew over it en route to Kunming. Landing fields in northern Burma and Assam are now within easy Japanese bombing range and it is going to be exceedingly difficult if not impossible to maintain commercial air service between India and China. In India during my very brief visit I found a situation which promises no real or substantial resistance to Japanese invasion if attempted. My military and naval attachés who saw General Wavell found him a tired old man. The situation in the Calcutta area is particularly distressing. The Bengalese are generally regarded as prepared to flee at the first bombing, and in consequence 80% of India's industrial war effort would be demobilized. The few intelligent Indians, principally industrialists, whom I met in Calcutta were much depressed, bitter against the Churchill Government for having sabotaged the Cripps Mission,⁷⁷ and apparently opposed to any scorched earth policy in event of Japanese attack.

I met no one of any nationality during my visit who was in any way encouraging or optimistic. The Viceroy at New Delhi was noncommittal, but obviously depressed.

GAUSS

⁷⁴ Joint Declaration by President Roosevelt and British Prime Minister Winston Churchill, Department of State *Bulletin*, August 16, 1941, p. 125.

⁷⁵ Department of State Executive Agreement Series No. 236, or 55 Stat. 1600.

⁷⁶ Mom Rajawongse Seni Pramoj.

⁷⁷ Sir Stafford Cripps, who was sent to India.

740.0011 Pacific War/2422 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, May 5, 1942.

[Received May 5—10 : 36 a. m.]

512. The Political Vice Minister of Foreign Affairs, acting today as Government spokesman, said *inter alia* that although the situation in Burma is admittedly serious there is no alarm among the Chinese people or among the rank and file of the Chinese Army. He further states that the Chinese forces will not withdraw from Burma until the war is won and that the Chinese will continue to reinforce the forces there irrespective of whatever difficulties there may be. He said that a heavy debt is owed the heroic and badly outnumbered forces of the Allied Army on the Burma Front.

GAUSS

740.0011 Pacific War/2430

*The Department of State to the Chinese Embassy*⁷⁸

MEMORANDUM

Reference is made to the telegram from the Chinese Foreign Office which the Counselor of the Chinese Embassy left at the Department on April 18, 1942, in regard to a proposed statement by General Chiang Kai-shek as follows:

[Here follows text printed on page 32, beginning with the word "First".]

It is understood from the Chinese Embassy that the British Government is agreeable to the issuance of the proposed statement.

The Government of the United States, for its part, concurs in the purpose which the Chinese Government has in mind and, if General Chiang issues the statement, will expect to take an informal occasion to make an appropriate supporting statement.

In view of the possibility that the use of the term "Allied Nations" contained in the text received from the Chinese Embassy might give rise in some quarters to misunderstanding, this Government in its supporting statement would, if there were need to refer to the nations engaged in the common war effort, substitute for the term in ques-

⁷⁸ Handed on May 6 by the Assistant Chief of the Division of Far Eastern Affairs (Atcheson) to the Counselor of the Chinese Embassy (Liu Chieh). The Assistant Chief of the Division of Far Eastern Affairs (Smyth) on May 11 orally communicated the "substance" of the memorandum to the First Secretary of the British Embassy (Hayter), and on May 14 showed it to Ashley Clarke of the British Foreign Office. A copy of this memorandum and of the telegram received from the Chinese Embassy on April 18 were transmitted to the Ambassador in China for his information in Department's No. 63, May 12, 1942.

tion—at least in the initial reference—words such as “the nations at war with Japan”.

This Government also offers for the consideration of the Chinese Government the observation that it is doubtful whether it is desirable to stress too strongly that the Thai Government yielded to *force majeure* in signing a treaty of alliance with Japan and in declaring war on the United States and Great Britain, as set forth in the first sentence of the first point of the proposed Chinese declaration. Question is raised whether that sentence might not be omitted. Such omission would bring the proposed Chinese declaration into conformity in this respect with the line of propaganda heretofore followed by this Government.

The cooperative spirit which caused the Chinese Government to confer with this Government in the matter is much appreciated.⁷⁹

WASHINGTON, May 6, 1942.

740.0011 Pacific War/2414

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] May 7, 1942.

Mr. Gauss presents in this telegram⁸⁰ a very gloomy picture regarding the military situation on the Burma-China-India front. His statement that “it is going to be exceedingly difficult if not impossible to maintain commercial air service between India and China” is in line with opinions already expressed in several well informed quarters. As against that, however, there have been assurances from some of the best informed quarters that the maintenance of that service is definitely possible; also, there has been the assurance of the President that it will be done.

The description of General Wavell as a “tired old man” confirms in exact words estimates which have been reported by some other recent close-up observers.

The statement that there is bitterness “against the Churchill Government for having sabotaged the Cripps Mission” tends to confirm reports from other sources that there was sabotaging.

In combination, these statements of fact and of opinion tend to confirm gradually piling up indications that the saving of the situation in eastern Asia and the Indian Ocean east of the Persian Gulf is going to depend upon the efficiency and efficacy of American efforts

⁷⁹ On March 3, 1943, the Chinese Embassy informed the Department that Generalissimo Chiang's statement concerning Thailand had been issued on February 17. No action by the United States was expected. (740.0011 Pacific War/3146.)

⁸⁰ Telegram No. 509, May 5, 3 p. m., p. 38.

plus whatever can be made of Chiang Kai-shek's political genius, Chiang's will to fight, Chiang's command over three or four million soldiers, and the terrain of China as a base for air operations against Japan.

S[TANLEY] K. H[ORNBECK]

740.0011 Pacific War/2476

Memorandum by the Adviser on Political Relations (Hornbeck) ⁸¹

[WASHINGTON,] May 7, 1942.

In the view recorded on the first paragraph of page two that cessation of Chinese resistance is "out of the question", I do not entirely concur. Notwithstanding Chiang Kai-shek's will and intention to continue resistance, the will and capacity of China as a whole to continue resistance is going to depend in no small measure on the success or failure of the United States to maintain communication with China and deliver munitions, et cetera, to the Chinese Government; also, on the trend of events in the operations of war between the United States and Japan.

But, in the view that "the Chinese might very well not fight their armies but simply sit", I concur—except that in my opinion Mrs. Luce fails to realize that, as matters stand today, there may come a time when, if the United States fails to deliver as above indicated, the Chinese armies will not have the option of "sitting": those armies may be compelled either to give up to the Japanese or to retreat into China's farthest west. The situation has reached a point where Chiang Kai-shek—having observed British and American inability to send adequate support to their *own* fighting forces in the Far East (conspicuously in the Philippines and in the Singapore area and Burma) and inability to deliver *to him* materials promised—might decide to "sulk in his tent" and let his armies "sit" until the United States and Great Britain give evidence of a capacity and a definite intention to deliver to him at least a substantial part of what has been promised him or an amount of materials in reasonable proportion to the amounts that are being delivered by the United States to the British and to the Russians, and by the British to the Russians.

S[TANLEY] K. H[ORNBECK]

⁸¹ Mr. Hornbeck herein comments upon a memorandum of May 5, 1942, by Assistant Secretary of State Berle in which the latter recorded the observations of Mrs. Clare Boothe Luce concerning her visit with Madame Chiang Kai-shek at Chungking (740.0011 Pacific War/2476½).

740.0011 Pacific War/2428 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, May 8, 1942—9 a. m.

[Received May 8—6:36 a. m.]

526. According to a confidential report, the Generalissimo addressing his military council on May 6 pointed out that the situation for China during the next few months would be serious but expressed confidence in China's ability to meet it. He said that if Japan did not attack Russia it would probably renew military operations in China—in Hunan and Chekiang, for example. British failure to accord Chinese full cooperation was in a measure responsible for defeat in Burma, he said. He expressed his belief that the United States would give all possible aid to China, mentioning specifically aviation. He made estimate that Japan had reached peak of military activity which could not be maintained longer than 4 or 5 months.

GAUSS

740.0011 Pacific War/2437 : Telegram

*The Ambassador in China (Gauss) to the Secretary of State*⁸²

CHUNGKING, May 8, 1942—4 p. m.

[Received May 9—6:23 a. m.]

528. The collapse of Burma⁸³ and the present unfavorable military situation have had their repercussions in China with a revival in some quarters of defeatist attitudes, the assertion that China can continue to resist only if the United Nations engage the Japanese in force elsewhere and keep them off China, and rumors of renewed Japanese peace proposals to China.

General Magruder, the Naval Attaché of the Embassy, and some others feel that the Chinese are not fully aware of the gravity of the situation which finds a Japanese column penetrating toward Kunming by way of the Burma Road without opposition.

The Embassy does not find any serious alarm among the higher Chinese officials over the immediate situation. There is disbelief that Japan will attempt any major thrust into Yunnan by the Burma Road at this time although it is admitted that they may penetrate some

⁸² Paraphrase transmitted by the Department on May 9 to the Chief of Staff (Marshall).

⁸³ For military record published by the Department of the Army in its series, *United States Army in World War II, China-Burma-India Theater*, see Charles F. Romanus and Riley Sunderland, *Stilwell's Mission to China* (1953), especially pp. 118 ff. In a memorandum dated May 9 for the Secretary of State, General Marshall, responding to a telephone message of May 8, reviewed the same record based on messages to and from General Stilwell since April 1, not printed (740.0011 Pacific War/2469).

distance along the road to destroy or seize accumulated supplies and if possible reach and destroy the air base at Paoshan. There are no reports of any Japanese movement toward Yunnan from Indochina. The approaching rainy season is not a favorable time for a Japanese expedition into Yunnan, and it would seem entirely possible for the Chinese with very small forces to blast and block the Burma Road at a number of points to impede the present Japanese advance and perhaps trap the column pushing toward Paoshan. It is true that there are no reports that this is being done, but I believe we should wait some days before concluding that the Japanese push presents a grave situation that the Chinese cannot meet.

There is no confirmation of rumors of Japanese peace proposals to China. The situation is believed to be, (1), that Chiang Kai-shek is determined to continue resistance and, (2), that there is no group in the government with sufficient influence to force Chiang's retirement in order to come to terms with the Japanese. It is true that Chiang has perhaps lost some prestige over the result in Burma, to which area he sent troops in force contrary to the advice of some of his military advisors, and he undoubtedly lost some prestige through the momentary failure of his policy of reliance on the assistance of America and other powers. But he remains the dominating figure in the national government, and is believed to have the support of the majority of the people in and out of the government who continue to maintain confidence in the ultimate defeat of Japan by the Allied Nations.

GAUSS

740.0011 Pacific War/2438 : Telegram

*The Ambassador in China (Gauss) to the Secretary of State*⁸⁴

CHUNGKING, May 8, 1942—5 p. m.

[Received May 8—1:52 p. m.]

529. Reference my 528, May 8, 4 p. m. In conversation with me yesterday General Magruder envisaged the possibility if not probability of a necessary withdrawal from Chungking and China and suggested preparations to that end. I informed Magruder that while, of course, there is no objection to and it is desirable that preliminary preparations by way of an inventory of possible transport facilities, supplies, routes, personnel, et cetera, be made in connection with any eventual necessary attempt at withdrawal from Chungking, nothing should be done in any way to arouse the slightest suspicion on the part of the Chinese of any lack of confidence in the Chinese in American or other foreign circles; that my instructions are to follow and remain

⁸⁴ Paraphrase transmitted by the Department on May 9 to the Chief of Staff (Marshall).

with the National Government; that I propose to do this so long as that Government exists and continues the policy of resistance to the Japanese; and that I would prefer to take all risks of falling into Japanese hands rather than have the Chinese believe we might be preparing to withdraw.

He is concerned as to possible attitude of Russians in event American military personnel seeks to enter Soviet territory in a withdrawal from China. That is a subject on which I cannot venture a prediction and I do not feel that we should explore it at this time.

The Military Mission is now engaged in sending out to India the aviators who arrived in China from the Tokyo flight and if air communication remains possible, the Military Mission could if so ordered gradually reduce its numbers by sending out others; this is a normal activity not likely to excite comment; but I strongly deprecate any other measures which might lead to suspicion that a general withdrawal is contemplated.

GAUSS

740.0011 Pacific War/2642

The Secretary of State to the Chief of Staff (Marshall)

WASHINGTON, May 9, 1942.

MY DEAR GENERAL MARSHALL: We have just received from Ambassador Gauss at Chungking a telegram⁸⁵ of which I send you here enclosed a careful paraphrase.

We concur fully in what evidently is Ambassador Gauss' view that no move should be made and no step be taken which might arouse or give ground for the slightest suspicion on the part of the Chinese of any lack of confidence in them, and we fully endorse the position taken by Mr. Gauss.

You will recall that as recently as April 28 the President said:

" . . . The Japanese may cut the Burma Road; but I want to say to the gallant people of China that no matter what advances the Japanese may make, ways will be found to deliver airplanes and munitions of war to the armies of Generalissimo Chiang Kai-shek.

"We remember that the Chinese people were the first to stand up and fight against the aggressors in this war; and in the future an unconquerable China will play its proper role in maintaining peace and prosperity not only in Eastern Asia but in the whole world."⁸⁶

In our opinion the effort of this Government and of all of its agencies should be directed toward carrying out the spirit and the letter of that

⁸⁵ Telegram No. 529, *supra*.

⁸⁶ For full text, see Department of State *Bulletin*, May 2, 1942, p. 381.

statement of policy and intention. Any utterance or act of any of our agencies implying an intention or expectation contrary to that statement would, in our opinion, be most unfortunate; and a formulation or execution of a plan involving withdrawal of our Military Mission to China might, in our opinion, have an effect highly prejudicial to the interests of this country in the Far East and to the part which it has been and is hoped that China will play in the United Nations' effort.

We believe and we suggest that an instruction should be sent to General Magruder—and if need be to other U. S. Military Authorities in the China theater and adjoining theaters—to the effect that discussion of or any preparations for withdrawal from Chungking and China, at this time, are not to be engaged in.

Sincerely yours,

CORDELL HULL

740.0011 Pacific War/2642

*Memorandum of Conversation, by the Assistant Chief of the Division of Far Eastern Affairs (Atcheson)*⁸⁷

[WASHINGTON,] May 9, 1942.

Participants: General George C. Marshall, U. S. A., Chief of Staff,
War Department
Mr. Stanley K. Hornbeck
Mr. George Atcheson, Jr.

Under instruction of the Secretary, Mr. Hornbeck and Mr. Atcheson called on General Marshall at the War Department and handed him the Department's letter of identic date⁸⁸ in regard to Chungking's 529, May 8, 5 p. m.

General Marshall and two aides read the letter, stated there was no question as to the correctness of the point of view of this Department, and General Marshall stated that appropriate instructions in the matter would be sent immediately to General Magruder.

G[EORGE] A[TCHESON, JR.]

740.0011 Pacific War/2438: Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, May 9, 1942—3 p. m.

375. Your 529, May 8, 5 p. m. For your strictly confidential information only: We concur in your opinion that nothing should be

⁸⁷ Noted by the Secretary of State.

⁸⁸ *Supra.*

done in any way that might arouse the slightest suspicion on the part of the Chinese of any lack of confidence in them and have accordingly taken up the matter with General Marshall. He shares this view, and it is understood that the War Department will immediately send appropriate instructions in the matter to General Magruder.¹

HULL

740.0011 Pacific War/2642

*The Chief of Staff, United States Army (Marshall), to the Chief of the American Military Mission to China (Magruder)*²

[WASHINGTON,] May 9, 1942.

625. War Department Policy of giving maximum practicable aid to China remains the same as heretofore. For Magruder. It is especially important in view of recent reverses in Burma that all American Army Officers on duty in China maintain an attitude of calm optimism with respect to Chinese future. Plans and conversation must not imply any thought of hopelessness in situation or any United States intention to abandon the country. The War Department does not intend to place limits upon proper distribution of available American Officers but it is important that movements of such personnel are so regulated that they can not possibly be construed as an evacuation by Americans. You are directed to convey to Mr. Gauss this expression of War Department view and in absence of General Stilwell will acquaint other American Officers therewith, who are to govern themselves accordingly. Acknowledge.

MARSHALL

*Mr. Lauchlin Currie to President Roosevelt*³

WASHINGTON, May 15, 1942.

Re: Owen Lattimore.

I have received a cable from Madame Chiang for Owen Lattimore, asking him to remain here for the next three or four months to emphasize to our people the necessity of supporting China and regarding her as an equal partner in war and peace.

LAUCH CURRIE

¹ *Infra.*

² Copy sent at the direction of the Chief of Staff (Marshall) to the Adviser on Political Relations (Hornbeck) and received in the Department about May 10.

³ Notation by President Roosevelt: "O.K. F.D.R." Original returned to Mr. Currie. Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

740.0011 Pacific War/2593

*The First Secretary of the Australian Legation (Watt) to the Adviser
on Political Relations (Hornbeck)*

WASHINGTON, May 19, 1942.

DEAR MR. HORNBECK: On 18th May Canberra telegraphed to us the text of a telegram received from the Australian Minister at Chungking. The date on which the telegram was despatched from Chungking is not mentioned, but it is clearly a fairly recent telegram. As the point of view expressed in the telegram is of importance, I thought you might be interested to know its contents, if only to supplement the information you have no doubt already received from United States sources.

Sir Frederic Eggleston said in his telegram that he considered there was a grave risk that Chinese resistance to the Japanese advance might be exceedingly feeble, even if it did not collapse. So far as the position in Yunnan is concerned, it appears that the Japanese risked a small column along the road and were surprised at the ease with which they advanced. Originally the party was small and returned to Lashio. The Japanese were now advancing with three regiments and had reached the neighbourhood of Paoshan. The Chinese had at least two divisions between Shiakuan and Lungling and thus could hold the Japanese but they failed to resist and the absence of demolitions was significant. The Japanese crossing of the Salween could have been checked with a few machine guns.

The Australian Minister added that many people in Chungking believe that Japan at the moment was deciding whether to make a major effort to liquidate China or to take India. The principal factors were the feeble Chinese resistance, as in Yunnan, and the anxiety to prevent further bombing of Tokyo for which Chinese territory appeared essential. Some Chinese officials were already expressing the view that they would soon be back in Nanking leading a normal existence again. A member of the Chinese General Staff has just told a Military Attaché of one of the Allied nations that the Chinese were incensed with the British for failure to send reinforcements to Burma which General Wavell had promised, and also at the fact that the British Army in Burma was falling back on India instead of assisting in the defence of China. The member of the Chinese General Staff went on to say that the Chinese were not inclined to do anything more unless British help was forthcoming.

Sir Frederic commented that he had little sympathy with the Chinese attitude, but felt that their belief that others must assist was a fundamental issue which must be recognized. He believed that some constructive effort was necessary to strengthen Chinese resist-

ance and possibly to keep her in the war, while the time during which such steps would be at all effective was possibly limited to a few weeks. In his view such an effort should consist of (a) Positive assurances of support by Britain and America, and (b) The immediate despatch of British air assistance.

Yours sincerely,

A. S. WATT

893.24/1331 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, May 20, 1942—4 p. m.

[Received May 20—3:20 p. m.]

578. The first official public expression of concern over present military situation in China came yesterday when T. F. Tsiang, Government spokesman, told the press that "the immediate future for China is very grave", that Japanese appear to be launching an all out effort to dispose of China now and that "China needs all the help which our friends can send us and they must send that help with utmost haste, otherwise United Nations may have to pay double or triple the price for future recovery." He underlined that in the next 3 months China needs bombers and pursuits, first and last.

Situation admittedly holds serious possibilities. Japanese may have decided to undertake major offensive in China. But Embassy so far perceives no evidence of lack of Chinese determination to meet the threat nor have potential defeatist elements increased in influence.

Military situation in Yunnan is far from clear. There are many factors including weather, terrain, military logistics and what has appeared to be broad Japanese military policy and objective which would seem to preclude probability of major Japanese offensive in Yunnan. On the other hand, Japanese have frequently undertaken the unexpected [and] that possibility must not be dismissed. However, even should Japanese successfully invade Yunnan and advance on other fronts, such as Chekiang-Hunan and toward northwest, we do not believe that National Government will collapse or disintegrate or that Japanese will be able to destroy it.

Embassy recommends that Chinese plea for increased American air support should be met if at all practicable not only for its practical effect upon course of military operations against Japanese but for psychological effect on Government and people of such measure of American aid. Chinese should have early proof that we consider China a vital theatre of the war.

GAUSS

893.00/14869

The Adviser on Political Relations (Hornbeck) to the Secretary of State ⁴

[WASHINGTON,] May 20, 1942.

MR. SECRETARY: Herewith two papers ⁵ bearing on the critical situation that is developing in and with regard to China. The top paper is a memorandum containing statements of fact and comments by me. The second paper is a paper on the same subject prepared as a "Memorandum for the President" by Mr. Hamilton.

So far as the points that need to be considered are concerned, the top paper goes into the subject with more of the argumentation. For purposes of a reminder, the second paper has a special value of conciseness.

S[TANLEY] K. H[ORNBECK]

893.00/14869

Memorandum by the Adviser on Political Relations (Hornbeck) ⁶

[WASHINGTON,] May 20, 1942.

The news of yesterday and today from China is bad, but worse than this news is knowledge that we have had for sometime of the factual situation and potentialities to which this news serves at the moment to call attention.

Reports from our own sources in China, sent from or through Chungking, have breathed a sense of frustration and defeatism. The feeling of our officials and officers reflects in some measure the feeling of the Chinese circles in which they move. The Chinese have seen the United States and Great Britain sustaining military defeats. They have seen the Japanese gaining victories elsewhere and closing in on China; they have seen the failure of the Cripps mission in India and they have sensed the ineptitude of British military and political operations in the Far Eastern theater and the Indian Ocean area; they have heard and have rejoiced in American promises that we would get goods into China and they have seen that the goods do not arrive; they are now hearing that the goods do not arrive because we cannot send them and that we cannot send them because (a) high mountains are an obstacle and (b) we and the British need for other fronts (British and Russian) all planes available and therefore cannot spare more than a

⁴This document bears the notation by the Secretary of State: "O. K. C. H."

⁵*Infra.*

⁶Noted by the Secretary of State.

couple dozen (three dozen at the outside) transport planes for traffic into and out of Chungking.

As I understand it, the President has been liberal and positive in promising to the Chinese a substantial number of adequate planes; but somewhere, somehow, orders become modified, allocations are pared down, diversions are made, planes en route are held at intermediate points, and the net is that the transport service upon which the Chinese have relied as a sort of last hope does not materialize.

On May 8 we had from Gauss at Chungking a confidential report⁷ of information given him in confidence that General Chiang in an address on May 6 to his military council had pointed out that during the next few months the situation for China would be very serious; that Chiang said that if the Japanese did not attack the Soviet Union they probably would resume military operations in and against China; but that he believed that America would give China all possible assistance and he emphasized assistance in the field of aviation.

Although Japan may yet attack the Soviet Union, best military estimates at present are that that operation is not at the top of the list among Japan's present intentions. The logic of movements during recent weeks has pointed toward probable intensification of Japanese operations in and against Chungking. And now the spot news points to Chinese expectation that such operations are Japan's present pre-occupation.

The Chinese are ill prepared militarily and psychologically to prevent the Japanese from making great gains and the Japanese are well prepared to make great gains in operations which the Japanese might now undertake. China has no air force, is woefully lacking in artillery and anti-aircraft, is short on machine guns and has no large reserves of small arms and ammunition. Chinese morale has been preserved for many months past by expectation of aid from the United States and Great Britain and assurances that she shall have aid by the United States. So long as the Chinese remain confident that such aid is going to reach them, there is fair chance of their morale holding up and their resistance continuing. But let once the point be reached, at which they reach a conclusion that aid cannot or will not reach them, that their hope and confidence evaporate—at and from that point there will be no reason for them not to say to themselves that the chance of the United Nations defeating Hitler and Japan is certainly not better than fifty-fifty and the sensible course for them to follow is to make with Japan the best compromise possible. The sequel would be: China no longer in the war, China's soil no longer available to the United Nations for operations against Japan; China's natural resources and man power available to Japan for operations

⁷ Telegram No. 526, May 8, 9 a. m., p. 42.

against Japan's remaining enemies (Great Britain and the United States).

From now on there is only one way by which we can make sure of maintaining China's confidence: we must deliver goods. Deliveries can be made and an artery of communication between China and us can be maintained if we will but put into the job of creating and maintaining an air transport service such courage, such ingenuity and such effort as we have been and are putting into a variety of operations in other places and other contexts. The best informed among my contacts are confident that this thing can be done and that it need not be very expensive.

If we fail to do this, whether because of high mountains or because of a view that planes devoted to this task and thus subtracted from the numbers devoted to tasks on the British and Russian fronts are planes better invested, we stand a good chance of losing the best strategic bet that is offered us in eastern Asia. China can be kept in the ranks of the United Nations. There is no guarantee that Russia can be kept in those ranks. There is even a chance that Australia might be taken out of those ranks. But it is a good bet that the Chinese will "stick" as long as they have reason to believe that we can and we will keep contact with them and give them some aid.

The number of planes needed for doing this job is ridiculously small in comparison with the relatively huge numbers that we are sending to other fronts. Is there not something wrong about a strategy—I am not saying that such a strategy definitely has been adopted—which in theory or in practice would call for investing everything in several scattered theaters and investing absolutely nothing in a theater which, if occupied by the enemy, would mean the loss of a useful ally and the acquisition by the enemy of that prize which has been the major objective of political and military operations on his part for a period of nearly fifty years.

What we most need to do at this moment is to get an air transport service into operation on a fair scale—and to do it now.

S[TANLEY] K. H[ORNBECK]

893.24/1448a

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton)*⁸

[WASHINGTON, May 20, 1942.]

We are, as I am sure you are, greatly concerned with regard to the Chinese situation.

⁸ This memorandum was prepared for the Secretary of State to send to President Roosevelt, but it was not sent.

With the cutting of the Burma Road by Japan and with Japanese advances into Yunnan Province, the Chinese Government is undoubtedly facing one of its most difficult periods.

If the Japanese get the idea that a military campaign against Kunming and Chungking would not encounter effective resistance there is every probability that Japan would launch such an attack. The best way to ensure against Japan's making such an attack or, if made, of causing it to fail, is to help the Chinese militarily so that their resistance can be effective.

If the Chinese Government should be forced to withdraw from Chungking, the effects on Chinese morale might well be disastrous and the whole military, economic and psychological situation of the United Nations would be greatly impaired.

You will recall that in your address to the nation of April 28 in referring to China you stated:

"The Japanese may cut the Burma Road; but I want to say to the gallant people of China that no matter what advances the Japanese may make, ways will be found to deliver airplanes and munitions of war to the armies of Generalissimo Chiang Kai-shek."

I venture to suggest that two steps seem to be essential: (1) the putting into operation without delay of the projected air freight service to enable China to maintain contact with her allies and also to obtain vitally needed materials and (2) the making available to General Stilwell of aerial combat units at least sufficient to deny the Japanese command of the air.

With regard to the air freight service from India into China, I am told that the War Department is giving this matter active attention and that from thirty-seven to fifty planes are already in India or are due there shortly. It is believed that these planes should be put into operation at the earliest feasible moment and that the number should be increased as soon as possible. It is understood that last February you directed that twenty-five transport planes proceed to India in March for the India-China freight service, but that as yet virtually no freight has been moved.

With regard to making available to China additional aerial combat units, I realize the great need for such units elsewhere, especially in the Russian, Near Eastern and European theaters. However, the number of planes which would meet China's needs in this respect would constitute only a small percentage of the planes which are being made available to our other allies.

It seems to me that the taking of comparatively minor preventive steps now may obviate the need of much greater and more difficult steps later on.

I offer the foregoing comment simply by way of suggestion in the light of my deep feeling that we must do everything possible to keep

China fighting as an ally whose importance to our cause cannot, in my opinion, be too much stressed.

740.0011 Pacific War/2504

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton)*⁹

[WASHINGTON,] May 20, 1942.

I

The Japanese thrust into Yunnan from Burma, following the virtual capture of Burma and isolation of free China from the outside world, has created a situation in which the Chinese Government appears to be facing the gravest crisis in its resistance against Japan.

It is, of course, not known whether the Japanese actually plan to drive on to Kunming with a view to driving the Chinese Government from Chungking by concentrated air attack or by other means, but such possibility would seem definitely to exist. Furthermore, in the light of the Chinese lack of equipment and air support, there also exists the possibility that the Japanese might succeed in capturing Kunming.

If the Chinese Government should be forced out of Chungking there would arise a serious danger that the effect on Chinese morale would be disastrous. It would not only constitute the third flight of the Chinese Government from its capitals, but would be an especially heavy blow as a sequel to another disaster—gaining of access by the Japanese to the Burma Road—and the tragic letdown from the high hopes held by the Chinese when Japan brought the United States and Great Britain into the war.

It is accordingly believed that it is vitally necessary that communications between China and the outside world be maintained—especially air transport between India and China—and that critical military supplies continue to be furnished in the greatest amount possible irrespective of the cost of money, effort or matériel.

II

Adverse effects of recent events on Chinese morale are being manifested in various degrees and kinds of expression of disappointment in and greatly diminished confidence in the attitude and capacity of Great Britain and the United States. It is believed that the implications of these manifestations are serious and should be counteracted. This Chinese change of attitude which various observers predict may

⁹ Shown on May 22 by the Adviser on Political Relations (Hornbeck) to Ashley Clarke, of the British Foreign Office, and discussed.

develop into serious anti-foreignism arises in part from the heavy defeats which have been sustained by British and American arms. It cannot but seem to the Chinese the height of irony that the entry of Great Britain and the United States into war against Japan—a development for which the Chinese have been hoping for several years—has not only not resulted in relieving their precarious situation, but, by misadventure, has actually been followed by appearance of Japanese armed forces at China's back door and has led to the closing of China's main channel of trade and communications with the outside world. In part, this changing Chinese attitude arises from disappointment at the meagerness of military assistance furnished the Chinese, from a feeling of being neglected as regards expedition of military supplies, particularly airplanes, in favor of Allied forces elsewhere, and from resentment at the emphasis which is being placed by the United States and Great Britain on the European front at the expense of current military efforts against Japan. The Chinese see clearly the dangerous aspects of any assumption that we can let things slide in the Far East while defeating Hitler and that the crushing of the Nazi military machine in Europe will clear the way for an easy retrieving *thereafter* of our military fortunes in East Asia.

III

It would accordingly seem from the *political point of view* urgently and highly desirable that (1) we furnish China all possible military aid including (a) the immediate establishment and maintenance of air transport of military supplies, et cetera, into China and (b) the furnishing without delay of military air combat support in strength; and (2) we make every possible effort to demonstrate to the Chinese Government that we consider China an equal ally and full partner in the common cause, bring China into our councils wherever and whenever appropriate and practicable, and give every consideration through our officials at home and our diplomatic and military officers in China to Chinese sensibilities in regard to the status of China's partnership with us and the status of China as a potential leader among the nations of East Asia.

*Memorandum by the Secretary of State to President Roosevelt*¹⁰

WASHINGTON, May 21, 1942.

I refer to Ambassador Gauss' telegram of May 20 in regard to the gravity of the Chinese situation. A paraphrase is enclosed for convenience of reference.

¹⁰ Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

I have sent paraphrases of the telegram to the Secretary of War and to the Secretary of the Navy.

The last paragraph of the telegram impresses me as containing a very sound and timely recommendation. I venture to hope that it may be given special consideration.

C[ORDELL] H[ULL]

740.0011 Pacific War/2582

The Ambassador in China (Gauss) to the Secretary of State

No. 421

CHUNGKING, May 22, 1942.

[Received June 27.]

SIR: I have the honor to enclose for the Department's information a translation of an editorial from the *Sao Tang Pao* * of May 3, 1942, entitled "An Urgent Suggestion",¹¹ which in its discussion of the war effort of the United Nations offers comment thereon which is indicative of the tone of the Chinese press since the reverses in upper Burma.

The editorial points out the failure of the United Nations to estimate correctly the real strength of Japan prior to the outbreak of hostilities in the Pacific area, their failure yet to appreciate the life and death aspects of the struggle, their failure to rid themselves of a defensive psychosis toward the war and their failure to announce for the Pacific area a charter similar to the Atlantic Charter. The editorial describes the needs of the United Nations as (1) effective cooperation and coordination, (2) offensive action against the Japanese, (3) defense of Northern Burma as the last link between China and India and (4) solution of the Indian problem so that unity may be achieved between the United Nations.

Respectfully yours,

C. E. GAUSS

*Madame Chiang Kai-shek to Mr. Lauchlin Currie*¹²

[CHUNGKING,] May 23, 1942.

Morale of Army and people never lower during five years of war than since fall of Burma. Three divisions escaped Japanese encirclement north of Myitkyina, but many amongst them died of starvation. Reactionaries here actively raising ugly heads, making headway with anti-war propaganda. For first time since 1937, Chief is pessimistic, admits situation dangerous. This for your confidential information because future is extremely critical. Magruder is taking you important letter.

* Controlled by the Military Affairs Commission. [Footnote in the original.]

¹¹ Not printed.

¹² Copy of telegram transmitted to President Roosevelt. Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

*Mr. Lauchlin Currie to President Roosevelt*¹³

WASHINGTON, May 25, 1942.

Re: Attached cable from Madame Chiang Kai-shek.¹⁴

I understand that cables even more pessimistic have been received by General Hsiung, head of the Chinese Military Mission.

The most effective and indeed almost the only worthwhile thing we can do at the moment would be to put some additional pursuit planes in China. I think the situation is sufficiently critical to justify urging the British to transfer one or two fighter squadrons from India to China immediately.

LAUCHLIN CURRIE

740.0011 Pacific War/2691

*Memorandum of Conversation, by Mr. Calvin H. Oakes of the
Division of Near Eastern Affairs*

[Extracts]

[WASHINGTON,] May 26, 1942.

Participants: Colonel Johnson¹⁵
Colonel Herrington¹⁶
Mr. Murray¹⁷
Mr. Alling¹⁸
Mr. Parker¹⁹
Mr. Oakes

In the course of their conversation today in Mr. Murray's office, both Colonel Johnson and Colonel Herrington stated that Burma is completely gone and that with the loss of Burma, particularly of Lashio, all possible routes to China are closed. Those roads which are alleged to be under construction would take at least two years to complete. Even the air freight route is no longer feasible as the planes must now fly in bad weather at 23,000 feet which those available are unable to do, and even in good weather must fly so high as to render attempts at ferrying freight into China almost useless. Personnel can still be flown in and out of China, but at great hazard. The effect on China has been catastrophic and it is the opinion of the speakers that the

¹³ Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

¹⁴ *Supra.*

¹⁵ Louis A. Johnson, personal representative of President Roosevelt in India, who had just returned to the United States.

¹⁶ Arthur W. Herrington, member of the American Technical Mission to India, who had returned with Colonel Johnson.

¹⁷ Wallace Murray, Adviser on Political Relations.

¹⁸ Paul H. Alling, Chief of the Division of Near Eastern Affairs.

¹⁹ William L. Parker, Division of Near Eastern Affairs.

Chinese no longer intend to fight. Discouragement on the part of the Chinese has been intensified by the behavior of the British as indicated below.

Colonel Johnson and Colonel Herrington were both of the opinion that the British had determined long before the Japanese attack on Burma started to lose Burma to the Japanese rather than to make concessions to the Burmese or to be indebted to the Chinese for retaining it. Thus the Chinese were allowed to send in troops only when their offer of assistance could no longer be refused, and once the Chinese arrived no effort to support them was forthcoming. According to Colonel Johnson and Colonel Herrington the British preferred to lose Burma because of their belief that it would be either recaptured for them by the Americans or returned to them at the peace conference once the war was won, and they would then be committed to neither the Burmese nor the Chinese with regard to its future form of government. Colonel Johnson and Colonel Herrington felt that the policy involved emanated from Wavell, who in turn was supporting a policy determined in London. They said that the loss of Burma would, however, probably be laid by the British to Stilwell who had actually made a very good showing under the circumstances.

*Generalissimo Chiang Kai-shek to President Roosevelt*²⁰

CHUNGKING, May 27, 1942.

The loss of the Burma Road, followed by heavy Japanese attacks now developing on the vital sectors of our defenses in southern, central and northwestern China, has created a very dangerous situation. In addition, the people are greatly depressed by the continuous United Nations reverses in the Pacific and on the Asiatic mainland, and the apparent lack of determination to counter-attack. Our war of resistance has now arrived at the most crucial stage such as I never experienced before.

I am most anxious to discuss the situation with you in person, but at present it is impossible for me to leave China. I strongly request you to send Mr. Harry Hopkins immediately to China so that I could acquaint him with the situation, and consult you intimately through him. I await most anxiously your favorable reply.

²⁰ Copy of telegram transmitted in covering letter of June 1 from the Chinese Minister for Foreign Affairs (Soong) to Harry L. Hopkins, with the explanation: "I shall be presenting this message from the Generalissimo to the President when I see him at 1:45 today." Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

893.24/1404

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton) to the Secretary of State*

[WASHINGTON,] May 28, 1942.

Reference first paragraph of attached copy of a memorandum of conversation ²¹ held on May 26, 1942 between Colonel Louis Johnson, Colonel Herrington, and officers of the Department, in regard to various aspects of the Burma campaign, and especially the statements of Colonel Johnson and Colonel Herrington that, with the loss of Burma, "all possible routes to China are closed", that "even the air freight route is no longer feasible", and that "the effect on China has been catastrophic and it is the opinion of the speakers that the Chinese no longer intend to fight".

With regard to the question of air supply routes to China, it should be mentioned that Mr. W. R. Bond of the China National Aviation Corporation, who established and maintained an efficient airplane service between Hong Kong and Chungking over Japanese held territory, is firmly of the belief that an air supply route can be successfully operated between India and China over Japanese held territory in Burma, provided that the necessary airplanes and equipment can be obtained.

With regard to the opinion expressed by Colonel Johnson and Colonel Herrington that the "Chinese no longer intend to fight", it may be recalled that in his telegram no. 578 of May 20, Ambassador Gauss at Chungking stated that, while the situation in China admittedly had serious possibilities, the Embassy had so far perceived no evidence of lack of determination on the part of the Chinese to meet the threat, nor had the influence of potential defeatist elements increased. The Ambassador expressed the belief that, even if the Japanese should successfully invade Yunnan and advance on other fronts, such as in Hunan-Chekiang and in the northwest, the National Government would not collapse or disintegrate nor would the Japanese be able to destroy it. The Ambassador recommended that, if at all practicable, the Chinese request for increased American air support should be met, not only because of its practical effect on the course of military operations against the enemy, but also because of the psychological effect on the Chinese Government and people of such American assistance.

M[AXWELL] M. H[AMILTON]

²¹ *Ante*, p. 56.

893.24/1340 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, May 28, 1942—9 a. m.

[Received May 30—11 : 51 a. m.]

622. I report the following as indicative, if not representative, of a trend of thought in certain intelligent nonpolitical Chinese circles: In connection with the present press and official campaign for military aid to China, a Chinese landlord businessman commented to Vincent²² that Russia must be considered a much more vital theater of the war than China, that only such material aid as was not needed in Russia should be diverted to China, that if Russian resistance collapses a successful termination of the war could be well nigh impossible whereas if Chinese resistance collapsed it would still be possible to achieve victory, and that he therefore hoped, together with many other thinking Chinese, that we would not be diverted by the Chinese clamor for assistance from giving all possible aid to Russia. He said that the economic situation, rather than the military, was the Chinese Government's most urgent problem.

GAUSS

893.24/1424

Memorandum by the Adviser on Political Relations (Hornbeck) to the Secretary of State

[WASHINGTON,] May 29, 1942.

I endorse and support the opinions expressed and the points made by Mr. Hamilton in his memorandum of May 28.

In addition, I would refer to several memoranda which have been presented during recent weeks pointing out that, as regards Chinese intentions, on the one hand, armies which do not have weapons are quite likely not to intend to fight and, on the other hand, that Chinese armies actually are fighting every day as has been shown by recent reports of the operations along the southern end of the Burma Road, in Chekiang province, et cetera.

With regard to the opinion that the air freight route between Calcutta and Chungking "is no longer feasible", I would point out that the weather conditions which at this moment may be an obstacle will prevail for only a period of from three to five months and do not prevail from September until after the turn of the year; that defeatist pronouncements on this subject originate for the most part with people who sit at headquarters and make estimates, in contrast with which we have the opinion of Mr. Bond, who, on the basis of practical ex-

²² John Carter Vincent, Counselor of Embassy in China.

perience, firmly believes that the thing *can* be done and, while admitting that it may be proven impossible, takes the position that he would not admit it to be impossible until it had been so proven by actual trial, trial for the making of which he has volunteered his own services and those of the seasoned organization which he directs. We know, too, from recent telegrams from Chungking, that *some* American military transport planes actually *are now arriving* in China from India despite the closure "of all possible routes to China" and despite the monsoon rains.

S[TANLEY] K. H[ORNBECK]

*Madame Chiang Kai-shek to Mr. Lauchlin Currie*²³

CHUNGKING, May 31, 1942.

Owing critical situation in China theater Generalissimo wiring President request Hopkins come China for consultation. Would it be feasible for you to come together. Reply immediately.

740.00116 Pacific War/32½

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

[WASHINGTON,] June 1, 1942.

The Chinese Foreign Minister, Dr. Soong, called this morning at his request.

Dr. Soong handed me a telegram he had just received from his Government stating that the Japanese had used poison gas in recent attacks which the Japanese Army had made in eastern Chekiang. The Chinese Government requested the United States Government to threaten retaliation against the Japanese if the Japanese Army continued to use poison gas. The text of the message is as follows:

"The enemy employed gas shells in the recent attacks on Chienteh and Kinhwa in eastern Chekiang. At Chienteh the enemy also dropped gas bombs from airplanes. Our army has suffered serious losses from such poison gas.

"In October 1941, the enemy used mustard gas at Ichang. Authentic cases have been reported and certified by Chinese and foreign doctors who examined soldiers thus afflicted. Now that the enemy has again resorted to gas in eastern Chekiang, it is to be feared that further large-scale use of gas may be resorted to by the enemy, unless international denunciation of such use and support of our protests should be forthcoming immediately.

"Please approach the United States Government with a view to their taking measures to support our protests, and to denouncing the

²³ Copy of telegram transmitted to President Roosevelt. Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

enemy along the lines of the statement made by the British Prime Minister recently, where he threatened retaliation should Germany start gas warfare on the Russian front. We hope that a statement couched in sternest tones will be made."

I told the Minister that I would be glad immediately to submit this request from the Chinese Government to the President in as much as only the President, as Commander-in-Chief, could make a decision with regard to a matter of this fundamental character.

S[UMNER] W[ELLES]

893.24/1340: Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, June 1, 1942—10 p. m.

464. Your 622, May 28, 9 a. m. The Department would appreciate receiving your comments as to what bearing, if any, the trend of thought indicated in your reference telegram has on your recommendations and analysis of the situation contained in your 578, May 20, 4 p. m.

HULL

*Mr. Lauchlin Currie to President Roosevelt*²⁴

WASHINGTON, June 1, 1942.

Re: Attached cable from Madame Chiang Kai-shek.²⁵

I think the reason behind this request is not so much for consultation as for morale boosting, and as such would be very desirable.

If Mr. Hopkins goes I do not think my presence would add a lot. On the other hand, if Mr. Hopkins is unable to go I believe I still have a lot of prestige in China as your representative.

You will note that an immediate reply is requested.

LAUCH CURRIE

*Generalissimo Chiang Kai-shek to the Chinese Minister for Foreign Affairs (Soong)*²⁶

CHUNGKING, June 1, 1942.

"Please transmit the following message to the President:

"During this time when the Chinese theatre is in such urgent need of combat and transport planes, I am deeply grateful to you for the

²⁴ Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

²⁵ Dated May 31, p. 60.

²⁶ Copy of telegram transmitted in covering letter of June 2 from Dr. Soong to President Roosevelt. Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

despatch to us of the Tenth Air Group, originally stationed in India, and also of other planes formerly stationed in Australia, to assist in war operations. This timely addition of new fighting power will not only strengthen the morale of the army and improve the war situation, but will encourage the Chinese army to redouble its efforts.

“Air transportation is now a matter of great urgency. Based on the experience of the last few months, two-motor transportation planes, with their limited carrying capacity and performance, have been found entirely inadequate for the India–China route. I understand that, commencing June of this year, the United States will be in a position to produce fifteen DC-4 four-motor transport planes. Will you be so good as to allocate these planes and other planes of this type for use along the India–China air route? Because the war situation is presently more acute in our theatre of war than elsewhere, I am hopeful that you will give favorable consideration to my request.

CHIANG KAI-SHEK”

*Mr. Lauchlin Currie to President Roosevelt*²⁷

WASHINGTON, June 3, 1942.

Re: Special envoy to China.

I—*What could be accomplished.*

I think a good deal could be accomplished by a mission at this time. It would be widely heralded as an indication of some important impending action by America and would, in a way, serve “to encourage the garrison until supplies arrived”, that is, until we can get the air freight service organized and build up our air strength in China. It would, of course, strengthen Chiang’s position. In addition, it would afford an opportunity to:

1. Impress Chiang and other government officials with magnitude of America’s war effort.
2. Check on India-China cooperation.
3. Check on organization of air-freight line to China.
4. Secure first-hand information from Stilwell.
5. Appraise Chinese staying power, both in real and psychological terms.
6. Appraise economic position.
7. Secure background for development of a Chinese air program alongside American air program, and to secure first-hand views from Chennault.
8. Explore Sino-Russian relations.
9. Check on nature of Japanese peace feelers, if any.
10. Check on military and political situation in India.
11. Smooth Stilwell-Army, CDS-Army relations.

²⁷ Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

II—*Who might be sent.*

I think Mr. Hopkins, the first choice of the Chinese, would unquestionably be the ideal person for this mission, both in prestige and ability to get things done. If, however, the trip is deemed to be too long and too hazardous, I should like, most diffidently, to remind you of my own qualifications.

1. Considerable prestige in China. It so happened that my visit was well-timed. The extension of lend-lease to China occurred immediately afterward. Tax reforms I recommended were adopted. I have guarded this prestige since, declining several invitations of Madame Chiang to go back because I did not think the time was ripe. Believe that I am personally congenial to the Generalissimo and that he trusts me.

2. Familiarity with China, with the whole Chinese lend-lease program, and with our own position.

3. In a position to follow up after my return.

4. Excellent relations with the Army. Effective aid must largely rest with the Army, but it would be inappropriate with General Stilwell there to send an Army man. I know intimately Stilwell and other members of his mission, Chennault, Bond of CNAC, and other key Americans and Chinese who would, I am sure, talk freely to me.

5. Sending me would be regarded as logical by the Chinese, as lend-lease followed my first visit, it is known that I have been helping on lend-lease and that I am a true friend of China's.

6. I have already had all the necessary vaccinations and inoculations and could leave at a moment's notice.

LAUCHLIN CURRIE

740.0011 Pacific War/2581

The Ambassador in China (Gauss) to the Secretary of State

No. 442

CHUNGKING, June 4, 1942.

[Received June 27.]

SIR: I have the honor to enclose as of possible interest to the Department copy of a memorandum of my conversation on May 25, with the British Ambassador²⁸ and the Australian Minister, who called on me by appointment, to discuss the crisis in the China situation with a view to determining whether there is anything that our Governments might do to "keep China in the war on our side".

Both the British Ambassador and the Australian Minister are new to China and their rather gloomy views may be ascribed in part to their lack of China background and resulting difficulty in evaluating the situation; also, in part at least, to the "defeatist" attitude of certain elements of the community, including some American and British

²⁸ Sir Horace James Seymour.

military officers, who should be more objective in their viewpoint and more discreet in their expressions of opinion.²⁹

Respectfully yours,

C. E. GAUSS

[Enclosure]

Memorandum of Conversation, by the Ambassador in China (Gauss)

[CHUNGKING,] May 26, 1942.

Subject: The crisis in the China situation.

Present: British Ambassador (Sir Horace Seymour)
 Australian Minister (Sir Frederic Eggleston)
 Counselor, British Embassy (Sir Eric Teichman)
 and
 Mr. Gauss

The British Ambassador and Australian Minister called on me by appointment at my residence yesterday afternoon. The British Ambassador asked the Australian Minister to explain the object of their visit, and the latter stated that it was felt that the China situation had reached a crisis where we should all consider whether there is anything that our Governments might do to "keep China in the war on our side". He considered the situation in Chekiang and Yunnan to be grave and indicated that he feared that China might stop fighting and collapse. The British Ambassador added nothing to the foregoing.

I asked my Australian colleague what he had to suggest that we might recommend to our Governments in the situation as he sees it. Sir Frederick said that he had no specific proposals to make. He referred to the recent plea of the Chinese Government spokesman for more air support to China, suggested that the possibility of continuing supplies to China by new routes should be considered, and remarked that perhaps there might be something that the United Nations might say to China—something more than appears in the Atlantic Charter or the Declaration of the United Nations—something that will encourage China to go on fighting, that will assure China that the United Nations will continue to fight on until China's aspirations as well as our own are achieved. He wondered whether there is any other aid or assistance that can be given to China and commented that while he understood the terms of the United States loan to China had been

²⁹ In a tag memorandum dated June 30 to the Secretary of State, the Adviser on Political Relations (Hornbeck) commented that Ambassador Gauss gave "an estimate of the military-political situation which I consider much more measured and sane than what the military and naval attachés appear (we are not given much of their reports) to have been reporting." Mr. Hornbeck added: "Incidentally, the kind of thing that Gauss does as reported in this despatch is a good exhibit in support of the favorable opinion which the FE officers of the Department hold regarding Gauss's fundamental capacity and reliable performance."

settled, he understood that there were unsettled points in the terms of the British loan; he said that perhaps these might be settled and give encouragement to China. The British Ambassador had nothing to add to the foregoing; nor did he comment on the unsettled points, whatever they may be, in the terms of the British loan to China.

I commented as follows:

1. Air Support. I had of course noted the statement of the Government spokesman and had brought the plea to the attention of Washington, recommending that, so far as practicable, further air support should be given to China. But I pointed out that this matter of air support is not a simple problem. So far as concerns planes from the United States, we have been pressed for planes for Britain, Russia, India, Australia, China and for other United Nations; in addition, we are endeavoring to build up our own air force to offensive fighting strength. Whether more planes can be spared for China is not a matter we can determine here; it must be determined in the councils at Washington, so far as concerns American planes.

I pointed out that planes alone are not sufficient; there must be personnel to fly them, fight them and service them; there must be airfields in China capable of taking them; there must be supplies of aviation gas, and bombs, and spare parts; there must be ground crews. I also pointed out that fighter planes cannot be flown from America to China; there is the question of shipping space. China has only limited personnel to fight and fly planes and service them. All these, I said, are problems which require consideration; and while I had recommended that so far as practicable, additional air support be given to China, I could not say what could be done in that direction; but I pointed to the AVG and what it had accomplished, and added that while I was en route to India I had met AVG and United States Army pilots who had been flying in fighter planes to China that had reached India from the United States, and I had every confidence that my Government would do all in its power to give air support to China.

The British Ambassador commented that he had recommended to London that China have more air support.

2. Routes of Supply for China. I commented that according to my information, all possible routes of supply are being investigated; that to the northwest to Soviet Russia seems particularly important, both the land route and the air route, but whether the routes can be opened seems to depend on the attitude of Soviet Russia. I said that I believed that our governments are well aware of this situation and no doubt they are giving Chinese proposals all possible support. The British Ambassador agreed.

I continued that I was aware that United States Army transport planes are continuing to bring in essential supplies from India and Assam—American lend-lease materials—notwithstanding dangerous conditions and unfavorable weather.

I suggested that if anyone had anything to offer to assist in the situation I, for one, should be glad to learn of it.

3. On any "assurances" to China which might help the situation, it has seemed to me that the Atlantic Charter and the Declaration of the United Nations had been clear indications of our determination

to fight for China as well as ourselves. I had nothing to recommend to my Government in the present situation, but if anyone could make a suggestion I should be glad to discuss it. I commented that I knew nothing of the matter of the British loan to China. I added that as they perhaps knew, we had sent substantial amounts of supplies to Burma for China; in fact more than China had been able to move into China from Burma; no doubt considerable amounts of these supplies had been lost in Burma and inside China along the Burma Road, but I had no official information on the extent of such losses.

The British Ambassador commented that he and the British Counselor of Embassy had turned up their file showing the texts of the Atlantic Charter and the Declaration of the United Nations at Washington and had nothing to suggest further at this time.

Turning to the military situation (I knew that the Australian Minister has long been of the opinion that Japan would stop to liquidate the China situation before venturing toward India or Australia) I commented that I did not yet see indications that Japan intends to undertake a major offensive against China; that there are as yet no reports of substantial Japanese reinforcements for the China theater; that it is true that for some days the Japanese thrust up the Burma Road appeared ominous, but after the AVG had intervened and given the Chinese time to move troops into position that situation seemed improved and I doubted whether the Japanese, at the present time, intended to do more than (a) block all access from India and Assam into China and (b) reach, and seize or destroy all possible American and other supplies for China stored along the lower reaches of the Burma Road. Japan may later determine on an offensive into Yunnan along the Burma Road, and perhaps from Indochina and Thailand, but such an offensive would require extensive preparation, and the present is not the ideal season for such a movement.

As to the Chekiang front, I conceded that the situation there is discouraging; Japan undoubtedly intends to seize the Chinese airfields in Chekiang and Kiangsi, and to shut off all Chinese access to the coast (where smuggling routes have long functioned); but the move in Chekiang seems to have been undertaken by local forces from the surrounding areas—there has been nothing as yet to indicate substantial Japanese reinforcements from outside China.

I commented further that in my contact with the higher Chinese officials I had observed no suggestion that China's will to resist is weakening, nor had I observed that those elements which perhaps would be disposed to look to a possible compromise with Japan had gained any strength.

Both the British Ambassador and the Australian Minister being new to China, but the British Counselor of Embassy, Sir Eric Teich-

man, being an "old China hand", I looked to him for helpful comment; but in response to the request for his views on the subject he would not comment further than to say that he considers that China "is in an exceedingly difficult position".

Summing up, the Australian Minister said that he proposed to report to Canberra, as the result of our conversation, that the matter of additional air support for China has been brought to the attention of both London and Washington, that the question of new supply routes to China has not been overlooked and is being explored along with the Chinese, and that there is no suggestion as to any recommendation which we might make to our Governments for further "assurances" to China at this time.

Sir Eric Teichman in summing up my comments on the military situation said that he understood that I did not consider the situation hopeless, that I did not anticipate that the Japanese would undertake a major offensive in China at the present moment—though they might prepare to do so later—but were concentrating on shutting off the Burma Road and seizing and destroying all military supplies they could reach in that area, while in Chekiang they were moving to take over the Chinese airfields which might be used as bases against Japan. That I did not find China less determined to continue to resist.

(Note: Except that the British Ambassador and the Australian Minister are both new to China and are apparently helpless in evaluating the China situation, I would have considered their visit in which they offered so little and demanded so much by way of information and opinion, a peculiar move. I felt however that there has been so much of a defeatist attitude taken in some foreign (including military) quarters at Chungking that it was desirable to be frank and outspoken in the expression of my views which they had sought).

C. E. G[AUSS]

740.00116 Pacific War/35

Statement by President Roosevelt on June 5, 1942

Authoritative reports are reaching this Government of the use by Japanese armed forces in various localities of China of poisonous or noxious gases. I desire to make it unmistakably clear that, if Japan persists in this inhuman form of warfare against China or against any other of the United Nations, such action will be regarded by this Government as though taken against the United States, and retaliation in kind and in full measure will be meted out. We shall be prepared to enforce complete retribution. Upon Japan will rest the responsibility.

893.00/14859

Memorandum by the Counselor of Embassy in China (Vincent) to the Ambassador in China (Gauss) ⁸⁰

[CHUNGKING,] June 5, 1942.

Yesterday afternoon I talked with Dr. Tsiang Ting-fu, Chief of the Political Affairs Department of the Executive Yuan and former Chinese Ambassador to Russia, at some length. In reply to my inquiry concerning American technical experts for China, he said that the Executive Yuan was proceeding on a basis of requesting only men who could fill an immediate and urgent need in China and that a list of some ten or eleven experts would be submitted soon.⁸¹ I inquired concerning negotiations with the Russians for exchange of materials over the northwest motor truck route. He confirmed the report that agreement had been reached in principle for transportation each way of about 3,000 tons monthly made up of strategic materials for Russia and lend-lease supplies and gasoline for China.⁸² Thereafter the discussion became general.

Dr. Tsiang does not view the present Japanese campaigns in Chekiang, Yunnan, Kiangsi and the north as a concerted offensive to overthrow the Chungking Government and end Chinese resistance. He added that they would fail if that were their objective. He said however that the campaigns, particularly those in Chekiang and Kiangsi, must be viewed as a serious threat to China and the effectiveness of Chinese resistance. Loss of the Chekiang airfields, of access to the eastern seaboard and to the southeastern area generally would obviously have adverse effects upon the military situation in China but of course would not affect the policy of resistance. He did not subscribe to the thesis of George Fielding Eliot ⁸³ that the Japanese were attempting to clear the way for an overland rail route from Manchuria through China to Indochina as an alternative or a supplement to the shipping route along the China coast. He said that such a rail route (single track) could not transport very much and would be readily vulnerable to interruption by guerilla attack. He agreed that, when sea transport between Japan and Indochina was menaced to the point that resort to rail transport through China was necessary, the "beginning of the end" would be clearly in sight and rail transport would do little to retard developments.

Dr. Tsiang referred to conversations with the Russian Ambassador ⁸⁴ in regard to material aid to China (he did not indicate whether

⁸⁰ Copy transmitted to the Department by the Ambassador in China in his covering despatch No. 448, June 9; received July 3.

⁸¹ See pp. 697 ff.

⁸² See pp. 632 ff.

⁸³ American writer and radio commentator.

⁸⁴ Alexander Semenovitch Panyushkin.

he himself had participated in the conversations but it was clear that he was quite familiar with them). The Russian Ambassador apparently raised some question as to the relative needs of Russia and China for aid and had implied that Dr. Tsiang's plea some weeks ago at a press conference for increased aid to China had been calculated to divert essential aid from Russia. (I am inclined to believe that the discussions were primarily concerned with the question of transit of lend-lease supplies through Russian Turkestan and over the northwest route to China and that the observations mentioned by Dr. Tsiang were incidental to those discussions.³⁵) Dr. Tsiang said that it was pointed out to the Russians that, when war in Siberia between Russia and Japan commenced, it would be very much to Russia's interest to have a strong Chinese army capable of lending assistance to the Russians by attacks upon the Japanese in north and northeast China; that there would then be one fight and one land front in east Asia; and that the Chinese flank of that front could only operate effectively if supplied with war materials. Dr. Tsiang said that the Russian Ambassador admitted the correctness of this argument. (I know that the Russians are very critical of China for its alleged failure to use war materials sent from Russia during past years, most of those materials having been given to General Hu Tsung-man's troops whose primary task has been the quarantining of the Chinese communist armies in northern Shensi, and doubt that the Ambassador was impressed by the argument, although agreement to cooperate in the transportation of materials over the northwest route would seem to indicate concurrence.)

I asked Dr. Tsiang whether any question with regard to supplies for the Chinese communist troops had come up during the discussions of exchange of materials through Sinkiang and whether the communist troops would be used in the event of Russo-Japanese hostilities. In answer to the first question, he said he did not think so, and he did not know the answer to the second question. Dr. Tsiang inferred that it was sometimes difficult to arrange for cooperation with the Russians and mentioned a Chinese proposal to establish a Chinese radio broadcast station in Blagoveshchensk to spread propaganda among the Chinese in Manchuria which had been turned down by the Russians.

Dr. Tsiang said that it began to look like Siberia would be the next field for major Japanese operations with concurrent operations in China closely related thereto. He felt that there was greater likelihood that the Japanese would attack in Siberia in the event of German reverses in Russia than in the event of Russian reverses. He thought that the Japanese were conscious of the futility of their fight in the

³⁵ See pp. 591 ff.

east if Russia defeated Germany. I said I thought the Japanese would attack in either event and that preparations were now being made, in China and elsewhere, against the arrival of an opportune time for such an attack.

In reply to my query regarding developments with respect to Korea,³⁷ Dr. Tsiang expressed fear that Korea was destined again to become a pawn in international power politics. He did not pursue the subject but I inferred that he had in mind Russian ambitions in that area. He went on to say that China would emerge from the war the strongest Far Eastern power; that there would be a strong urge for the Chinese Government to play power politics in this area; but that it would be a mistake to succumb to that temptation because it would divert strength and attention from China's real problem which was internal reform and reconstruction. He said that the strengthening of the internal structure of the country should be the Chinese Government's principal post war occupation for many years to come. He said that post war relations with the United States presented no real problem; that there was a sound basis for exchange of commodities; and that a sound and liberal tariff policy would promote such trade. He remarked, however, that sound tariff policies were only a part of the needed program for adjustment of post war economic relations. The economic strength and weakness and the potentialities of each nation must be taken into consideration and a positive program worked out to meet the needs. In this connection he mentioned Japan as a post war problem and said that a wise policy should be followed in regard to its treatment after the war. He also mentioned Indochina, saying that some solution would be necessary in regard to that area. He referred particularly, as an illustration, to the matter of control of the Yunnan-Indochina railway.

With regard to China's internal problems, Dr. Tsiang deplored the tendency toward government monopolization in China's economic life. He said that he did not consider the policy sound and conducive to healthy internal development. He gave the salt monopoly as an illustration of what he considered an unsound venture.

In conclusion, Dr. Tsiang repeated his assertion that internal development should be the Chinese Government's chief post war job and added that, in the foreign field, adjustment of relations with Russia would be essential.

JOHN CARTER VINCENT

³⁷ See bracketed note, p. 762.

740.0011 Pacific War/2647

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton)*³⁸

[WASHINGTON,] June 17, 1942.

CHINA'S WAR POTENTIAL: ESTIMATE

I

BASIC FACTS

1. *Land Area.* The total area of Chinese territory, including Manchuria, Mongolia, Chinese Turkestan and Tibet, is estimated to be 4,282,000 square miles. This exceeds by over 600,000 square miles the continental area of the United States. It represents a land mass which would stretch east and west from the middle of the Caucasus Mountains to Lisbon, north and south from the northernmost tip of Norway to the bottom of the heel of Italy, northwest and southeast from the north tip of Scotland to Cairo, and southwest and northeast from Lisbon to the White Sea.

2. *Population.* The population of China is estimated to be between four and five hundred million. This is almost equal to the population of the entire British Empire, including India, and is between 4 and 5 times the population of the entire Japanese Empire. It is roughly 3½ times the population of the United States.

3. *Economic Resources.* With the exception of petroleum, China has extensive potential and developed natural and industrial resources, including some excellent facilities for manufacture of heavy chemicals, iron and steel. Important heavy industries have been developed in Manchuria, and some in North China and in the Yangtze Valley.

4. *Communications.* Transportation in China is served by a skeleton of both east-west and north-south railways connecting large centers of population and industry. In addition, there are the important facilities offered by the great Yangtze River and other transportation facilities available on smaller rivers, lakes, and canals. To a lesser extent, highways and airdromes have been developed for land and air transportation. Radio and telegraph communications are adequate.

³⁸ Memorandum transmitted by Mr. Hamilton on June 23 to the Under Secretary of State (Welles) and the Assistant Secretary of State (Berle) with this comment: "It is believed that you will be interested in the attached copy of a memorandum prepared in FE, at Mr. Hornbeck's suggestion on the subject 'China's War Potential: Estimate'." Copy of memorandum transmitted by the Department with its instruction No. 1538, July 1, to the Ambassador in the United Kingdom (Winant) to be made available as "an informal and unofficial paper" to H. Ashley Clarke, Chief of the Far Eastern Department of the British Foreign Office (741.933/95).

5. *Present Situation.*

(a) The present Chinese governmental structure is of relatively recent origin. The spirit of nationalism in China which was in the process of development and organization under Chiang Kai-shek has received great impetus by the impact of Japan's aggression and barbarities against the Chinese people. Nationalism in China is a growing force which is contributing steadily toward the development of a strong, unified nation. By Western standards there is at present too extensive provincial autonomy and more than usual inefficiency in the administration of the central government.

(b) The military situation in China for the past five years has been in a constant state of flux with intermittent sallies and attacks by both sides; but in general it is characterized by Japanese advances and Chinese defensive retreats.

(c) It is authoritatively estimated that China has slightly less than 3,000,000 regular soldiers in the field (not including organized and unorganized guerrillas). The Chinese armies lack air power. They have no effective air units with the exception of American volunteer forces. Chinese armies lack motorized and mechanized war equipment. Chinese armies lack heavy artillery. Faced by an enemy having such equipment, China is obviously unable and cannot be expected to open an offensive. Even defensive operations are in considerable measure impaired and imperiled by the lack of these arms.

(d) The over-all strategy of Generalissimo Chiang Kai-shek represents defensive warfare on a scale probably more vast than ever before employed. (The operations of Soviet Russia would seem to be a combination of offensive and defensive tactics.) Chinese armies faced by superior military power put up stubborn resistance and eventually withdrew practically intact to the point where Japanese strategists considered it not worthwhile to press their attack. This withdrawal has been aided and Japanese occupation seriously hindered by the adoption of the tactics of "scorched earth" and of guerrilla warfare behind the lines. Such tactics were feasible and were achieving an appreciable amount of success in the war of attrition so long as China was able to obtain vital materials from abroad and to maintain its armies in the face of stringent economic and psychological conditions. Success of the Chinese military operations has depended in large part upon the maintenance among the Chinese in both occupied and unoccupied China of a high spirit of resistance.

(e) World-wide hostilities and the isolation of China have resulted in an exacerbation of psychological and economic disabilities in China. Financial and economic power is weakened. Morale is threatened by a growing feeling of war-weariness and discouragement and was seriously dampened by the disillusionment which many Chinese felt

when they witnessed the speed and success with which Japanese armed forces overcame British, Dutch and American arms in the Far East. The Chinese had felt reasonably certain that China's position would become much stronger when Western powers became involved in war with Japan. Instead, the Chinese have found the position of China considerably worsened in an immediate sense following Japan's attack on the United States.

(f) China has withstood this blow to its morale largely through the great influence and leadership which Generalissimo Chiang Kai-shek—a man who has demonstrated amazing tenacity of purpose—exercises in China.

(g) Japan controls in addition to the large territory of Manchuria and parts of Mongolia approximately 800,000 square miles of China. (This is a rough estimate based upon the location of front lines. Within this area there are large sections relatively free from Japanese control. There exist widespread and intermittent Chinese organized guerrilla activity and sabotage.) Japan's invasion of China has resulted in Japanese control of all important coastal points of ingress and egress, of industrial and commercial centers, and of large sections of main Chinese railways. Japan has now cut substantially all organized land and water transportation between China and the outside world.

(h) Japan has achieved a measure of political and economic success in China. There has emerged some Chinese leadership in occupied China acting in cooperation with Japan. The Japanese have been able to make valuable use of the local Chinese population in their efforts at reconstruction and reorganization of occupied areas of China. Japan has made considerable progress in the restoration of transportation and communication facilities, in rebuilding and expanding industrial facilities, and in the reopening and development of natural resources.

(i) A Chinese spokesman in London is reported recently to have asserted that Japan now has in China (exclusive of troops in Manchuria and adjoining Japanese territory) 1,000,000 soldiers. A more accurate estimate would probably be approximately 600,000. Japanese armies in China are currently employing advances in force in a number of widely-scattered territories in an apparent attempt further to extend their holdings in China.

(j) *In conclusion:* From the foregoing there plainly emerge two fundamental characteristics—first, the immensity of China's physical size and manpower resources and second, the vagueness and instability of numerous elements in the situation. These two characteristics make impossible precision in analysis of China's war potential and of the situation in China, occupied or unoccupied. Accurate detailed

estimates are prevented by increased confusion due to protracted and widespread military activities, by the lack of reliable statistics and by the very immensity of the area and population involved. General conclusions, both accurate and important, can, however, be reached. In considering this problem, it is proposed first to present an estimate of the effects which would follow the collapse of organized Chinese resistance to Japan.

II

POSSIBLE EFFECTS OF A COLLAPSE OF ORGANIZED CHINESE RESISTANCE

A. *The Effects on Japan.*

1. Every Japanese cabinet which has come to power since the outbreak of the war in China in 1937 has had as its primary objective "the settlement of the China incident." Since early in 1939 the Japanese people have been repeatedly and explicitly promised that the Government would devote its best efforts to an attempt to bring about a cessation of hostilities in China. The collapse of organized resistance in China would undoubtedly give Japanese morale a great lift. Coupled with the victories Japan has already won it would probably go far to steel the Japanese public to meet later defeats and disasters with much greater equanimity than could be expected if hostilities in China were to continue.

2. Japan's propagandists in their psychological campaigns of "Asia for the Asiatics" and "the colored races of the world united under Japanese leadership against the white races" would claim a great victory. Japan would thereby gain the essential element which it lacks at present to promote such psychological warfare. A collapse of China would immeasurably contribute to the Axis' psychological offensive against India and the Middle East and would in all likelihood greatly facilitate the Japanese effort to organize the populations of occupied countries including China behind Japan's war efforts. Psychologically Japan might well obtain such a secure place as the leader of Asiatic races, if not colored races of the world, that Japan's defeat by the United Nations might not be definitive.

3. It has been affirmed that Japan, even if organized Chinese resistance should collapse, would be forced to keep large numbers of troops within China. Apart from the considerable number of forces which Japan has need for in its offensive thrusts as distinguished from operations in connection with occupation, this is no doubt true and would be in keeping with Japan's plans for development as a great continental power. However, it seems clear that the quantity and quality of Japan's troops and equipment in China could be reduced if organized Chinese resistance were to collapse. Japan's war potential would be thereby increased.

4. The present undeniable process of attrition against Japanese forces in China would be slowed down if not obliterated. The strain on the morale of Japanese troops in China would be immensely decreased once they were free of the constant threat of organized attack on their often weakly-held positions. Japanese troops would then face nothing more than intermittent raids or uprisings by ill-equipped and uncoordinated Chinese guerrillas or bandits. A comparison of tasks facing German troops in insuring tranquillity in the prostrated countries of Europe and their task in the guerrilla-infested areas of occupied Russia illustrates the difference in the situation which Japan would face in China were organized resistance to disappear there.

5. With the collapse of resistance from Chungking Japan would be enabled immediately to strengthen and vitalize the Chinese political leadership at Nanking and would thereby obtain relatively undisturbed access to the important strategic materials and resources of all China. At the present time Japan in exploiting China is subject to continual harassment and non-cooperation coupled with a great measure of passive resistance. Were Chungking to collapse, there might well come to the fore the age-old Chinese spirit of accepting conditions as they are and of making the best of them. The spirit of the new China which has had as its keynote dogged resistance to Japan might die; it would certainly be driven underground. In all probability Japan would then be enabled, with little difficulty, to use the enormous manpower of China for economic, if not military, purposes.

6. Japan would obtain safety from the danger of air attack from the Asian continent and from large-scale land operations against the Japanese armies. Japan would have under its control buffer territory stretching from India to the Pacific Ocean, from Malaya to the Soviet border. (Consideration of the possibility of hostilities between Soviet Russia and Japan has been deliberately omitted.)

7. A collapse of organized Chinese resistance would enable the Japanese military leaders to develop in China as they have done in Manchuria a vast area of entrenchment in which they might attempt to hold out even though the Government at Tokyo were eventually forced to accept peace terms from the United Nations.

8. *In conclusion*: A collapse of organized Chinese resistance would greatly bolster morale in Japan, would immeasurably increase the effectiveness and appeal of Japan's psychological warfare, would release a certain number of first-class Japanese troops and would make available for use elsewhere practically all of Japan's most efficient motorized and mechanized equipment and air power, would provide Japan with capable Chinese leaders to aid in the difficult job of administering China, would simplify the strategic military problems of the Japanese General Staff, would accord Japan relatively undis-

turbed access to the vital strategic materials and resources of China, and would permit the Japanese militarists to entrench themselves and their organizations on the continent of China.

These factors would immeasurably augment Japan's military potential.

This is true in reference to Japan's military potential against the United States.

This is true in reference to Japan's military potential against Soviet Russia.

This is true in reference to Japan's military potential against Australia and India.

This is true in reference to Japan's military potential to hold the areas it has occupied.

B. *The Effects on the United Nations.*

(Note: Some factors presented under other headings apply to this section, but in order to keep repetition to a minimum an attempt has been made to mention only new factors. Even so, some repetition has been unavoidable but it is believed that an approach from various angles serves to present a comprehensive picture.)

1. It is impossible to say that the war against Japan will not be of long duration. Were organized resistance in China to collapse, the United States and the other countries opposing Japan would have lost one of their most important "aces." It is not to be forgotten that Japan is both an island naval power and a continental army power. It is problematical whether a defeat of Japan as an island naval power would accomplish our objectives unless that defeat were accompanied also by the defeat of Japan on the continent of Asia and the elimination of its paramount influence on that continent. The loss of China as an active partner in the war against Japan would greatly increase the difficulties of land operations against Japan, whether by modern armies or by land-based air armadas.

2. The collapse of organized resistance in China would deal a serious blow to the psychological warfare efforts of the United Nations. The success of psychological warfare of the United Nations vis-à-vis the Far East and to some extent the Near East hinges upon the continuance of war between China and Japan.

3. The American people have in the past few years clearly demonstrated their friendship and sympathy for the cause of free China and their belief in the unity of that cause with our own. A collapse of China would bring inevitable political repercussions in this country and would be a blow to the morale of the American people. It is not too much to expect that the American people would place blame upon their own political and military leaders for failure in China.

4. The prestige which the United States now enjoys in South America and in the Near East would be seriously diminished were the Chinese to throw down their arms.

5. The economic warfare of the United Nations would suffer from a collapse of Chinese resistance. The United Nations would lose and Japan would obtain important strategic materials such as antimony, tungsten, tin, silk, bristles, and tung oil. Japan would be rendered practically invulnerable to any blockade by the United Nations. There would be offered to Japan the opportunity to develop railways and land communications from Manchuria to Singapore. At the same time Japan could organize and utilize a vast network of air-dromes and air communication lines over the continental area of eastern Asia.

6. In the war against Japan, China's place at the moment is not unlike that of Great Britain when she alone stood against the forces of Hitler. British tactics were defensive. Yet as long as Britain continued to resist, Germany had not won and could not win. Similarly Chinese tactics have been defensive. Yet as long as China continued to resist Japan had not won and could not win. China is now also comparable in part to occupied Europe. Loss of China would take from the United States not only the advantages of an ally close by its enemy but would also remove the very definite aid gained from rebellious people within enemy-occupied territory.

7. Certain advantages would accrue to the United Nations if China were to cease resistance to Japan.

(a) To a limited extent the problems of over-all strategy of the United Nations for the immediate future would be simplified. The necessity of diverting any strength to aid China from any offensive efforts which were organized would vanish. Defensive operations and concentrations would be strengthened to the extent that aid for China could then be diverted to such operations or concentrations.

(b) Such shipping, both by sea and by air, understood to be small in quantity, as is at present engaged in carrying aid to China would be released and become available for use elsewhere.

(c) The materials which are at present being sent to China or earmarked for China would become available for other purposes.

(d) Some of the United Nations, not including the United States, might avoid by the collapse of China certain political difficulties at the coming peace conference. Such difficulties would be likely to arise were China to attend a peace conference as a victorious nation with large armies intact.

(e) The collapse of Chinese resistance would remove whatever pressure Chinese officials and representatives are at present exerting or attempting to exert on the United States.

(f) The collapse of China would, of course, prevent China from exercising an effective voice at the coming peace conference and would thereby reduce the number of effective voices which must be heard at the conference.

The foregoing advantages are more apparent than real and their only value is of an immediate or opportunistic character.

8. *In conclusion*: Collapse of organized Chinese resistance would adversely affect the cause of the United Nations by loss of the most important factor in combating Japanese psychological warfare, by lowering of American morale, by loss of prestige, by loss of certain important strategic materials and by loss of the help of an ally close to our enemy and the benefits of guerrilla and civilian resistance in important enemy-occupied territory.

III

CHINA'S CONTRIBUTION TO THE WAR AGAINST JAPAN

(Note: Some factors already discussed under other headings are applicable to this section but have been omitted here in order to minimize repetition. An attempt has been made to discuss only new factors. Some repetition has been unavoidable but it is believed that an approach from various angles serves to present a comprehensive picture.)

1. China, the largest Oriental power, by its war against Japan, prevents the success of Japan's psychological warfare and contributes the most important defense which the United Nations have at this time against Japanese efforts to promote race warfare.

2. China forces Japan to utilize an important part of its military strength both on land and in the air in the theater of China.

3. China forces Japan to expend war matériel and to utilize shipping which otherwise might be employed in other theaters of war whether active or inactive at the present time.

4. China prevents Japan from unhampered utilization and exploitation of the territories and resources Japan has occupied in China.

5. The continuance of organized Chinese resistance keeps alive the possibility of the United Nations organizing and executing large-scale air and possibly land operations against Japan. The United States will soon become the greatest air power in the world. Japan is peculiarly vulnerable to large-scale bombing of industrial centers.

6. China effectively contributes to the general weakening of Japan's war potential.

7. China is producing quantities of important strategic materials needed by the United Nations—antimony, tungsten, tin, silk, bristles, and tung oil.

8. China is in a position to make effective contribution to any effort to recapture Burma—a key strategic area.

9. China by continuing to resist is dampening Japanese morale.

10. *In conclusion*: China is at the moment engaging large numbers of Japanese troops which employ important amounts of war equip-

ment and matériel, is supplying the decisive factor in the psychological warfare against Japan and is denying to Japan the possibility of uniting Asia, is reducing Japan's war potential in other active or inactive theaters, is preventing Japan from freedom in the exploitation of its conquests in China, is holding areas which may become vitally important to future air and land operations by forces of the United Nations, and is dampening morale in Japan itself by stubborn refusal to accept Japan's program of "Asia for the Asiatics."

IV

POSITIONS AND ATTITUDES OF SOME OF THE UNITED NATIONS TOWARD THE FAR EAST

1. Japan opened its assault on the Western nations and their Pacific possessions by a vicious attack on the United States. There has subsequently developed not only in the United States itself but throughout all of the United Nations a feeling that it is the responsibility in the first instance of the United States to put down Japan and to destroy Japanese military power. While our responsibility toward the war in Europe is no less than our responsibility toward the war in the Pacific, in Europe we do not occupy the front lines. In the Pacific we do.

2. The United States has throughout its history treated the Far Eastern countries as equals and has encouraged their independent development. The United States has treated the peoples of the Far East as free peoples. American citizens and officials in their dealings with the Far East have no imperial ambitions. The United States desires to see a strong, free and prosperous China and the American people hope to see develop in other areas in the Pacific independent and autonomous free governments.

3. Other nations among the United Nations have not had in their Far Eastern relations a background or a general political attitude similar to those of the United States in its relations with the Orient. Their background and their general policies have rather been colored by their preoccupation with empire. As a result there has grown up over the years among some of the officials and nationals of such nations a subconscious and unconscious attitude of mind which fails to take due account of some of the factors which have been set forth in this memorandum. Such persons fail to grasp what we consider to be accurate estimates of the potentialities and capabilities of certain of the peoples of the Far East, particularly the Chinese. With such differing attitudes of mind, it is only natural that there have resulted various and sometimes conflicting views and estimates of the Far Eastern situation and in particular of the war potential of China.

4. Some qualified observers and experts have made charges of serious incompetence if not malpractice against Chinese in their military operations. It should be borne in mind that the Chinese are not the only ones among the United Nations who on occasion have been found wanting in abilities to make proper utilization of available men and matériel, and who have been charged with gross blunders in their maneuvers against and estimates of the capabilities of the enemy. In reaching any reasonable estimate in regard to China's military potential it should be remembered that Chinese soldiers and many officers have unquestionably demonstrated on numerous occasions great courage and endurance. The over-all tactics of defensive retreat employed by Generalissimo Chiang Kai-shek has been proven to be a brilliant military and political move.

5. Chinese war-weariness has been pointed out. Whatever the position and attitude of any of the United Nations may be, it should be remembered that we cannot assume that Chinese resistance will continue if China is neglected and if China's allies do not demonstrate that they are determined to assist China. The United States has on many occasions both publicly and privately promised to deliver all necessary aid to China. On April 28, 1942 the President of the United States publicly stated:

"The Japanese may cut the Burma Road; but I want to say to the gallant people of China that no matter what advances the Japanese may make, ways will be found to deliver airplanes and munitions of war to the armies of Generalissimo Chiang Kai-shek.

"We remember that the Chinese people were the first to stand up and fight against the aggressors in this war; and in the future an unconquerable China will play its proper role in maintaining peace and prosperity not only in Eastern Asia but in the whole world."

6. Strong military, psychological and political considerations dictate that those pledges must be fulfilled.

V

GENERAL COMMENTS AND CONCLUSIONS

There has been deliberately omitted any attempt to discuss the technical question of the ways and means of delivering aid to China. That problem is one for qualified experts. This conclusion would be incomplete, however, were emphasis not to be placed on the highly beneficial results which could be accomplished in bolstering Chinese morale and tenacity in this war by the establishment of a regularly-operated air link between China and its allies to provide steady increments of material aid. A substitute for the Burma Road is essential.

It is impossible to state definitively the amount of aid necessary to keep China in the war. It is reasonable to expect that if China remains isolated and without concrete evidence (in the form of delivered

goods to China and of a regularly-operated link with the outside world) of our determination to implement our promises of aid, China will be given further impetus toward disintegration. The psychological factor is of great importance in keeping resistance alive in China.

China's war potential must be assessed not only in the negative values of what China denies to Japan, but also in the positive values of what China contributes to the total war effort. To these two important factors, there must be added the possibility of eventually creating in China a concentration of offensive military power to be released later conformably with over-all strategy. Supplies to China sent now will not only meet immediate and urgent needs but may become a part of later offensives.

In considering China's war potential, the United States has to bear in mind interests and policies differing in some respects from the interests and policies which motivate some of the other United Nations.

Were the United Nations to disregard China in their over-all strategy, to concentrate everything upon the defeat of Hitler, and to allow the situation in the Far East to drift until, following the defeat of Hitler, full attention could be directed to Japan and the Far East, a combination of important developments and factors would make complete victory for our cause over Japan's cause extremely difficult if not even problematical. These factors include :

(1) Chinese resistance to Japan would probably collapse, bringing into play the adverse developments already discussed in this memorandum. As a result Japan might augment its internal strength in great measure, might become firmly entrenched in China and other occupied areas, and might establish a strong position of permanent leadership of the colored races. The threat of a future world conflict between the white and the colored races of the world might be enhanced.

(2) Popular feeling in the United Nations might become so relaxed in relief at the victory and peace in Europe that a compromise settlement in the Far East would be welcomed by large elements among the people.

(3) There might develop in the Far East such a feeling of solidarity of purpose and of unity of position among Asiatics vis-à-vis the balance of the world that it would be impossible to create in that area groups of peoples or nations friendly disposed to the democratic principles motivating the United Nations. This development would seriously hamper the implementation of long-range high policy of the United States in its foreign relations.

China's over-all war potential is sufficiently great at the present moment to warrant exceptional efforts on the part of the United States to keep China in the war against Japan. The immediate objectives of successful prosecution of the war against Japan warrant those efforts. The long-range policy of the United States also warrants those efforts.

The psychological, military and political situation in China requires that there be provided urgently tangible evidence in China of the practical implementation of our decision to keep China in the war.

When there is added to the foregoing estimate consideration of the possibility that the United Nations might be faced with disintegration and collapse not only in China but also in Russia and in India, the vital importance of maintaining the war potential of China is even more apparent.

740.0011 Pacific War/2561a : Telegram

The Secretary of State to the Ambassador in China. (Gauss)

WASHINGTON, June 18, 1942—6 p. m.

527. According to an Associated Press report dated Chungking June 16, a Chinese Government spokesman admitted that Japanese forces driving eastward and westward were within 80 miles of junction along the Chekiang-Kiangsi Railway. It is understood that some time ago the Chinese removed rails and possibly other equipment from this railway and used them in the construction and operation of a railway from Hengyang to Kweilin. The Department would appreciate receiving any information which may be available on this point.

The Department would also appreciate receiving your comments in regard to the current Japanese military operations in central and eastern China and your estimate of their effect on the general situation in China.

The Department desires to be kept as fully informed as possible of current developments and suggests that, for the time being, you telegraph at weekly intervals your comments on developments and your appraisal of the situation as a whole. Any information of special significance should of course be reported immediately.

HULL

761.94/1411

The Ambassador in China (Gauss) to the Secretary of State

No. 475

CHUNGKING, June 19, 1942.

[Received July 23.]

SIR: I have the honor to transmit a copy of a memorandum of a conversation between a member of this Embassy and Mr. C. C. Chien, Vice Chairman of the National Resources Commission, regarding Mr. Chien's views on the desirability from China's standpoint of Russo-Japanese hostilities.

Although as far as is known Mr. Chien was not voicing the Government's attitude, it is believed that his views are shared by the majority of Chinese officials.

Respectfully yours,

C. E. GAUSS

[Enclosure]

Memorandum of Conversation, by the Second Secretary of Embassy in China (Macdonald)

I called on Mr. C. C. Chien yesterday afternoon regarding strategic materials. Following our discussion he turned the conversation to Sino-Soviet relations and gave his reasons why he considered war between Russia and Japan highly desirable from China's standpoint.

Mr. Chien said that China has not received any supplies from Russia for the past year. It is his opinion that the Soviets are being ultra cautious in order not to offend Japan by giving assistance to the latter's enemies. Consequently, according to Mr. Chien, Russia will not give China permission to import supplies from abroad over the north-west route. He added that China has experienced great difficulty in negotiating with the Soviets in the past.

I inquired if all the material supplied by Russia has been transported into China and whether China has fulfilled its barter agreements with Russia. Mr. Chien replied in the affirmative to both questions. (According to information from reliable sources, China has not fulfilled its barter agreements with Russia. A considerable amount of Russian material which was delivered at Hami and other points by Russia has been waiting for some time to be transported south by the Chinese.)

Mr. Chien said that if Stalin had been a good statesman he would have declared war on Japan last December. Mr. Chien resents Russia's present argument that a second front in Europe should be established and said that China also wants and needs a second front in Asia. According to him there is no possibility that China will receive any assistance from Russia until that country is involved in war with Japan. He thinks that the Soviets will exert every effort to avoid hostilities with Japan but feels confident that Japan will attack Russia thereby opening the second front which he claims China desires so much.

I remarked that in the event of Russo-Japanese hostilities Russia might require all supplies and means of transportation available to meet its own requirements and, therefore, China would be no better off from that standpoint. To this observation Mr. Chien replied that Russian assistance will be forthcoming because China will be in a

better position to negotiate as soon as Russia becomes involved in war with Japan.

From Mr. Chien's last remark it is quite obvious that China would open negotiations on the basis that Chinese resistance might collapse unless Russian assistance were received. At present such a threat probably would not influence Russia, which is an important reason why China is so anxious to see Russo-Japanese hostilities.

In this connection the question also arises whether China would make use of any assistance received from Russia in prosecuting the present war. One of the reasons why Russia has stopped sending materials to China is due to the fact that China has not been making proper use of them in resisting Japan.

JOHN J. MACDONALD

FE Files, Lot 52-534

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] June 20, 1942.

The chief and a possibly fatal weakness in a theory of strategy which calls for defeating Hitler first and then defeating Japan may be illustrated in a figure as follows:

Jones is being attacked by a bull and a husky bull calf. Jones says to himself that he will first deal with the bull and when he has finished off the bull it will be easy to deal with and finish off the bull calf. Jones so proceeds, concentrating on the bull. It takes two or three years to finish off the bull. Meanwhile, the bull calf has been feeding on plenty of nutritious diet well fortified with special vitamins. When, finally, Jones, with great effort and with not a little loss of blood, has finished off the bull and turns to deal with the calf, Jones finds that he is confronted not by a calf but by a huskier bull than the one with which he has just dealt. The calf has grown up—plenty.—At that point, Jones, wearied and weakened, either lacks the will to take on a new, first class encounter or, if he then tries to whip this second bull, finds the task even more difficult than that which he has just finished of whipping the first bull.

The second fault in this theory of strategy is that it involves a risk of losing China as an active participant in the United Nations' resistance and of permitting the creation in the Far East, before the hostilities in Europe can be brought to a close, of a solid Japanese hegemony with China and India incorporated in the body thereof: a phenomenon which, if it developed, would be infinitely difficult to unscramble or to deal with on any basis of reason.

*The Chinese Minister for Foreign Affairs (Soong) to the Chairman of the Munitions Assignment Board, United States and Great Britain (Hopkins)*³⁹

[WASHINGTON,] June 23, 1942.

DEAR MR. HOPKINS: I know how rushed you are these days, but a situation has been created by the Munitions Assignment Committee ruling that not a single ton of munitions should be assigned to China commencing July owing to the failure of the air transport service between India and China. Coming on top of the President's and your own repeated assurances that aid to China will be continued, you could imagine the effect of a ruling like this when it is known to our army and people.

I wish, therefore, to request that your Board will not confirm the Committee's ruling until I have the opportunity of putting our case before you.

With kind regards [etc.]

TSE VUN SOONG

740.0011 Pacific War/2569: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, June 23, 1942—6 p. m.

[Received June 24—2:47 a. m.]

744. Chinese press reaction to Churchill visit⁴⁰ is concern that the expected opening of second front in Europe will lead to continued and disastrous neglect of Far East. One paper calls for "third front" in Europe [and?] Asia; another for offensive in East as part of pincer movement for drive in Europe. United States and Great Britain are urged to bring Russia into war on Japan, and resentment at China's exclusion from talks is implied in demand for fully unified command oriental [*sic*] with China having representation as one of big four.

GAUSS

³⁹ Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

⁴⁰ Correspondence on Prime Minister Churchill's visit to the United States at this time (Second Washington Conference) is scheduled for publication in a subsequent volume of *Foreign Relations*.

740.0011 Pacific War/2865

The Ambassador in China (Gauss) to the Secretary of State

No. 486

CHUNGKING, June 24, 1942.

[Received July 23.]

SIR: I have the honor to refer to the Department's telegram no. 527 of June 18, 7[6] p. m. and my telegram no. 743 of June 23, 5 p. m.,⁴² and to transmit as being of possible interest to the Department the following material⁴³ which is typical of Chinese interpretation of and reaction to Japanese victories in the recent Chekiang-Kiangsi campaign:

A summary translation of an editorial in the *Sao Tang Pao-Chung Yang Pao* of June 20; and

Excerpts from a statement by General Liu Fei of the Chinese General Staff to the United Nations Joint Military Council at Chungking on June 9, 1942.

The editorial minimizes the importance of the Japanese campaign, claiming that it is to save "face" lost by the bombing of Tokyo and to cover up Japan's inability to undertake offensives against Australia, India, the United States or Russia. It maintains that the initiative throughout the campaign has been in Chinese hands, and reiterates the familiar theme that the further Japan advances into China, the quicker and surer its defeat. The *Sao Tang Pao-Chung Yang Pao*, a recent consolidation of the Army's *Sao Tang Pao* and the Kuomintang's *Chung Yang Jih Pao* (*Central Daily News*) is the official party news organ in Chungking, and this explanation of Japanese advances as deliberate Chinese withdrawals is the official propaganda line which is constantly held before the Chinese people and the only one permitted to appear in print.

The same interpretation of military events in China has been well propagandized abroad by China's spokesmen, especially Madame Chiang Kai-shek, as the Generalissimo's "magnetic strategy". It is so described, for instance, in Madame Chiang's address of June 14, 1942, to the alumnae of Wellesley College.

The excerpts from the statement by General Liu, Deputy Chief of the Board of Military Operations of the Military Affairs Commission, are interesting, not only because they show a following of this line even in confidential consultations with allied military representatives in Chungking, but also because they reveal something of the apparently fundamental defensive bias of Chinese military psychology. The Department may be interested in referring to the full statement

⁴² Latter not printed.

⁴³ Enclosures not printed.

which is an enclosure to the Military Attaché's report no. 72 (confidential) dated June 22, 1942, to the Chief of Military Intelligence.⁴⁴

The General says, in effect: that the initiative remained in Chinese hands because they withdrew according to plan; that if the Japanese continue to advance, they will not be resisted; that Chinese refusal to give decisive battle will keep Japanese forces in the area; that good Chinese troops were not used because it was known that the Japanese were strong; and that strategically the Japanese have not won a victory because they have not been able to meet with (catch) the main Chinese force. Worthy of note are the implied admissions that fighting has not been serious (despite the extravagant Chinese communiqués which have been released daily and published and commented on abroad).

Five years of withdrawals cannot but have an effect on Chinese psychology. The man in the street is inclined to be a little skeptical of military communiqués: experience has taught him how to evaluate them and to recognize signs of another retreat. This partially accounts for panics such as occurred in Kunming when Japanese troops began their drive into the province of Yunnan: the average Chinese does not expect the Army to hold a line against a Japanese drive. At the same time, he has had dinned into his ears for five years this "magnetic strategy"; and experience has likewise taught him that these successive Japanese victories (or Chinese withdrawals) do not have particularly disastrous effects nor cause the end of resistance and collapse of the country. Even Chinese victories such as those at Changsha are explained in terms of magnetic tactics: the enemy is encouraged to over-extend himself, then his weakened lines of communication are attacked and his retreat threatened, forcing him to withdraw. The whole theory appeals to the Chinese, whose traditional idea of warfare, derived from fictionalized history in stories such as those of "The Three Kingdoms", is one of cunning, maneuver and strategy, rather than the frontal clash of heavy forces.

In summary, the reaction of the average Chinese to military reverses is complacency. It might be paraphrased as follows: "One can't believe all the communiqué—after all, the general must save his face. But it does seem reasonable that if the Japanese advance too far, they will get themselves into difficulties. Meanwhile the country will continue to be able to 'take it'. And help from America and other countries is going to beat Japan."

Respectfully yours,

C. E. GAUSS

⁴⁴ Not found in Department files.

Major General J. H. Burns to Mr. Harry L. Hopkins ⁴⁶

WASHINGTON, June 25, 1942.

1. In accordance with your memorandum of June 24, 1942,⁴⁷ I telephoned Dr. Soong yesterday as follows:

“The Munitions Assignments Board has not taken action to the effect that no munitions will be assigned to China during July and it will not take any such action without the approval of Mr. Hopkins.”

2. Dr. Soong seemed be quite satisfied with the above statement of policy but suggested that instructions be issued that production would not be curtailed on any item now being manufactured for China. I told him that I did not have the authority to make such a commitment as production might be in excess of possible shipments. He did not press this point further.

3. After this telephone discussion with Dr. Soong I phoned General Aurand and he told me that the only production item involved was 7.92 mm. ammunition and that no instructions had been issued to stop production although this is being given serious consideration at the present time by the War Department because of the shortage of copper and also because of the shipping situation. At the present time the War Department is manufacturing approximately 35,000,000 rounds of this matériel per month for China, the weight of which approximate 1,700 tons. I did not relay this information to Dr. Soong, as both General Aurand and I felt that it was not wise to make any further commitments at this time than are necessary.

J. H. BURNS,
Major General, U. S. Army,
Executive,
Munitions Assignments Board

Mr. Lauchlin Currie to President Roosevelt ⁴⁸

WASHINGTON, June 26, 1942.

Re: Trip to China.

I find myself in a somewhat embarrassing position. I wired Madame Chiang that you did not feel able to spare Harry Hopkins and suggested my going. She replied, “Eagerly await your arrival for many problems can only be discussed through personal conference. Please wire date of departure”.

⁴⁶ Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

⁴⁷ Not printed.

When, however, I called Dr. Soong today he said that nothing could be served by my going, that the situation was hopeless and beyond mere talking, and that he would see you next week. I was a bit taken aback as only a week ago he voluntarily suggested my going to China, to which I gave a non-committal answer.

I am sorry that I seem to have got things tangled up a bit. I am afraid, however, that that is typical of all our relations with the Chinese!⁴⁸

[File copy not signed]

*President Roosevelt to Generalissimo Chiang Kai-shek*⁴⁹

[WASHINGTON,] 27 June, 1942.

I have just received your message forwarded to me by General Stilwell.

The rapid advance of the Axis forces in the Middle East, suddenly confronted the United Nations with a most critical situation. This movement, if not stopped, will result in the severance of the Air Routes to India and China, and seriously interfere with, if not interrupt, our sea lanes to India. It is imperative that the Middle East be held. All reinforcements possible are being rushed to block the Axis advance.

The urgency of the situation demanded that any and all means immediately available be dispatched to preserve our lines of communication to the China Theater. Accordingly the heavy bombers of the 10th Air Force were ordered to the Middle East.

The diversion of these planes is a temporary measure compelled by this sudden crisis. Upon arrival of sufficient air power to secure our lines of communication, the planes will be returned to the 10th Air Force.

A decision has not been made as to the theater in which the squadron of A-29 light bombers now departing from the United States will be used. This squadron has been ordered to await instructions at Khar-toum. In the meantime the medium bombardment and pursuit echelon of the 10th Air Force will continue in the support of your Forces.

I reassure you that the United States and our allies do regard China as a vital part of our common war effort and depend upon the maintenance of the China Theater as an urgent necessity for the defeat of our enemies.

⁴⁸ Mr. Currie transmitted a copy of a telegram dated June 27 from Madame Chiang Kai-shek as follows: "Generalissimo wiring T. V. [Soong]. Welcoming you. Come immediately."

⁴⁹ Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y. Message transmitted by the War Department. The text of the message is preceded by the following instruction: "Please hand the following message personally and promptly to Generalissimo Chiang Kai-shek."

740.0011 Pacific War/2683

*Memorandum Prepared in the Department of State*⁵⁰

[WASHINGTON,] June 27, 1942.

There are indications that there prevails among Army and Navy personnel, both in Washington and at Chungking, who are interested in Far Eastern questions, a greater degree of apprehension lest there occur in China in the immediate future a collapse which would take China out of the war as an active belligerent than prevails among the officers of this Department who are most intimately concerned with the Far Eastern situation and its problem.—What may be the official War Department and Navy Department opinion is another matter.

The existence of the opinion in Army and Navy circles that China may collapse, and collapse soon, gives rise to a feeling of defeatism with regard to China which must inevitably influence reasoning in those circles as to the advisability and practicability of sending military aid to the Chinese. It must contribute to the formulation of an opinion that to send such aid would be to take undue risks of losing materials sent—without the sending of them having accomplished any useful purpose. This must tend to influence procedure: it must tend to cause delays or to cause arrival at decisions not to send matériel.

But, the danger of a Chinese collapse flows in part from and is greatly increased by the fact that the Chinese are not receiving matériel. If collapse of China were to occur, that collapse would be due in no small measure to the fact that supplies from abroad (*a*) have not followed upon and made good the promises which have been given that supplies will be sent and (*b*) have not become available to the Chinese forces as matériel for the continuance of their resistance and the building up of an ultimately intended offensive. Notwithstanding their extraordinary patience, the Chinese are subject to the effects of disappointment, of a sense of frustration, of a feeling that they are not appreciated, of an ultimate conclusion that one cannot fight forever without weapons—just as are other people.

It is the belief of the Far Eastern officers of this Department and of the American Ambassador at Chungking that a Chinese collapse is not an imminent likelihood; that, however, continued Chinese resistance cannot be taken for granted; *that the best way to insure against a Chinese collapse lies in the field of sending materials, especially planes, and establishing of an effective air transport into and out of China*; that investment in this type of insurance is warranted

⁵⁰ Prepared at the request of the Secretary of State as a "memorandum" which he "might use in conversation with or might give to the Secretary of War and the Secretary of the Navy"; transmitted on June 29 to the Secretary of State by the Adviser on Political Relations (Hornbeck) for use in a meeting between Secretaries Hull, Stimson, and Knox on the morning of June 30.

even though it may be slightly speculative; that the Chinese resistance is an asset and cessation of Chinese resistance would be a great loss to the United Nations effort.

We therefore continue to recommend and to urge that every reasonable effort be made to maintain effective physical communication with China; that this effort take the form of an endeavor to establish on a substantial scale air transport between India and China; and that, unless and until it is *demonstrated by trial* that the thing cannot be done, policy be directed intensively toward establishing this transport and getting planes, materials, military equipment of most needed types, and some American air personnel and various types of military and civilian experts into China—with intention of increasing the amounts and numbers as availability thereof develops.

740.0011 Pacific War/2599

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] July 1, 1942.

The Chinese Ambassador called at my request. I remarked that I had intended to invite him to come to see me yesterday, but that a funeral which I attended had prevented my doing so.

I asked the Ambassador how long China would continue to fight and he unhesitatingly replied that they would keep on. He added that he felt that just as Russia is gradually checkmating the German plans and military movements, particularly during the last year, China is in a similar position with respect to Japan.

C[ORDELL] H[ULL]

740.0011 Pacific War/2602: Telegram

*The Ambassador in China (Gauss) to the Secretary of State*⁵¹

CHUNGKING, July 2, 1942—noon.

[Received 5:08 p. m.]

786. Following comments are submitted in supplement to Embassy's monthly summary for June.⁵²

Loss of larger Chinese airfields in Chekiang and Kiangsi deprives us of bases which were important for an air offensive against Japan

⁵¹ Notations: "Shown to Mr. Currie, July 3, 1942. M[axwell] M. H[amilton]"; "Mr. Currie told me that on July 3 he in turn showed a copy of this to the President. A[lger] H[iss]."

⁵² Not printed.

and Formosa. Chinese military officers charge failure of Chinese forces to hold those areas to lack of air support which China has been expecting from United States.

General Stilwell tells me that when he recently informed General Chiang of diversion to Middle East of certain air units intended for China Chiang showed extreme irritation and asked that Washington be informed of his desire to know whether China theater is still regarded as meriting aid so that he may plan for future while Madame Chiang who was present at conversation remarked in an aside in English that this implied possibility of peace with Japan, a remark which I am firmly convinced merely represents her own impatient and capricious attitude rather than any serious thought on part of Chiang or on her own part of any move for such a peace.

Chinese reaction[s] to general war situation follow trend of fortunes of United Nations and at moment there are indications of discouragement and irritation.

The Embassy has noted a revival of speculation as to possibility of separate peace between China and Japan but it has been unable to obtain any information pointing to peace discussions in any responsible quarter. All commentators agree that it is entirely out of the question that General Chiang could under any circumstances be induced to consider any such proposals. In general in all responsible quarters there is continued confidence in ultimate victory for United Nations.

While according to reports China's requisitions under Lend-Lease call for much more than can reasonably be expected to be spared or to be used effectively in China at this time, it is evident that there is real need of air support and of munitions. The requirements for China theater are understood not to be extensive in comparison with those for other areas and it would seem desirable to meet China's actual needs with least possible delay.

The all out Japanese offensive in China which was scare headlined after the fall of Burma has not yet materialized but sober military and other observers point out that increased Japanese pressure on China is a real possibility within next few months if Japan does not become involved in a sub[sequent effort on ma]jor fronts elsewhere. While Embassy deprecates defeatist attitude taken by some of our military men after fall of Burma, it does recommend that possibility of serious developments in China theater be borne in mind in connection with air support and munitions and supplies for China.

740.0011 Pacific War/2606 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

[Extracts]

CHUNGKING, July 3, 1942—11 a. m.

[Received July 5—8: 15 p. m.]

790. For Currie from Ray.⁵³ Summary of Chungking interviews follows:

A. Stilwell: He lacks directive indicating whether this front now considered more than verbally important and feels he lacks trading cards to elicit Chinese offensive effort. Increased air support [promise?] insufficient for this purpose since too often promised. British cool to his prescription for reconquest Burma using expatriate Chinese forces trained and equipped with CDS⁵⁴ ordnance. (Chinese military leaders said to mistrust this as reminiscent the private army—Ray). One American ground division in India would provide lever to galvanize both allies but availability doubted. Program for Wheeler⁵⁵ control all China supplies operative.

B. Bissell:⁵⁶ He regrets uncommunicativeness pleading absorption in meeting local problems locally. Says Chennault relations frictionless since combined responsibilities tax capabilities. Regards AVG^{56a} phenomenal fighting organization but regrets current actuation of majority by mercenary considerations. . . .

D. American consensus indicates China safe for United Nations despite disappointments since seemingly committed rulers are firmly entrenched and rival coalition necessary for change is undiscernible. Continued virtually passive resistance expected, regardless our aid but no offensive anticipated even with all feasible aid. Desirability of sharper trading with "nation of traders" stressed by many but difficult to prevising [*revise?*] technique after past ineffective openhandedness recognized and British strictly selfish policy disapproved. Inflation continuing. Japanese attack on Siberia expected soon but penetration of Yunnan considered unlikely pending digestion Burma loot.

See Embassy reports on Sino-Russian discussions regarding exchange strategic materials through northwest.⁵⁷ [Ray]

GAUSS

⁵³ J. Franklin Ray, Assistant Lend-Lease Administrator, on a special mission to China.

⁵⁴ China Defense Supplies.

⁵⁵ Maj. Gen. Raymond A. Wheeler, Commanding General, Services of Supply, China, Burma, and India Theater.

⁵⁶ Brig. Gen. Clayton L. Bissell, Gen. Stilwell's air officer, subsequently Commanding General of the Tenth Air Force.

^{56a} American Volunteer Group of the Chinese Air Force.

⁵⁷ For further correspondence on this matter, see pp. 591 ff.

793.94/17077a : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, July 3, 1942—4 p. m.

589. Please deliver to the Acting Chinese Minister for Foreign Affairs the following statement and inform him that it is the text of a message from me to him which is being broadcast from the United States to China July 6 through the agency of the Office of War Information as part of a program commemorating July 7:

"Five years ago today China took up arms in defense of its soil against renewed Japanese aggression. Since that time the Chinese people have been ceaselessly and courageously battling for their liberty against the ruthless invaders. The American people have watched with deep sympathy and admiration the heroic fortitude and tenacity with which for five long and bitter years the Chinese people have fought on against heavy odds.

On the occasion of this anniversary I desire to convey to you and through you to the Chinese people an expression of the wholehearted good wishes of the American people who, as comrades-in-arms with the Chinese people, are now facing common aggressors and share a common peril. We realize that the way before us is beset with formidable difficulties. We shall not falter. China's determination to continue resolutely and valiantly as a leader in the fight for freedom constitutes an inspiring part of the unshakeable unity of purpose of the United Nations. The consciousness of those nations of the justness of their cause, their resolve to make all necessary sacrifices, and their firm purpose to carry home to the enemy the war which he has rapaciously inflicted upon humanity make certain final victory."

HULL

740.0011 Pacific War/2676a : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, July 3, 1942—9 p. m.

591. Chiang Kai-shek has asked the President to send Mr. Harry Hopkins or some other similarly situated person to Chungking to confer in person with Chiang Kai-shek. The President has decided to send Mr. Lauchlin Currie, Administrative Assistant to the President, on this mission. Mr. Currie will probably proceed to China very shortly. He is endeavoring to depart without publicity here.

Mr. Currie has worked in close cooperation with officers of the Department in various matters relating to China. He is, as you know, specially versed in matters relating to the extension of lend-lease aid to China. He is informed with regard to most recent developments here, especially as they relate to China, and it is believed that you will find most helpful the information which he will be in position to give

you in regard to the situation here and current thought in high Government circles.

Upon his arrival Mr. Currie expects to confer with you and to obtain from you the benefit of such comments and suggestions as you may consider likely to be helpful. You and the members of your staff will of course assist him in every practicable way.

You need take no initiative in informing the Chinese Government of Mr. Currie's forthcoming visit in as much as Dr. Soong has been informed and presumably has telegraphed Chiang Kai-shek.

HULL

*President Roosevelt to Generalissimo Chiang Kai-shek*⁵⁸

WASHINGTON, July 4, 1942.

MY DEAR GENERALISSIMO: Mr. Currie's visit affords me an opportunity to return the greetings you sent me⁵⁹ on Mr. Lattimore's return. I was glad to learn that you find his work helpful to you. I have always regarded him as both a good American and a good friend of China and I share your confidence in his complete integrity. His intimate knowledge of the Chinese scene has been of great assistance to us.

I gave serious study to your request that Mr. Hopkins visit you for a personal talk. Mr. Hopkins was eager to go and I should have liked to have been able to send him. Various compelling considerations, however, finally and reluctantly forced me to withhold my assent. His health is not robust and the trip is a long and arduous one at this time of year. Moreover, he is playing a most vital role in the war effort here, and I did not feel that I could spare him for an extended period.

I have, therefore, asked Mr. Currie to resume his earlier and most profitable talks with you. Mr. Currie has my complete confidence, has access to me at all times, and has quietly and in the background been active on all phases of Sino-American relations—military, political and economic—since his last visit to China. He will, I am confident, faithfully and accurately convey my specific views and general attitudes to you, and yours to me. It will be the next best thing to our having personal talks, which I hope will not be too long deferred.

There is one apparent misunderstanding which I am most anxious to have cleared up. Since we are fundamentally of the same mind and our countries have common objectives both in the war and in the post-war period, I feel that I can speak frankly and freely to you. I was greatly disturbed and upset by a recent cable from you which

⁵⁸ Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y. Signed original transmitted by Lauchlin Currie to Generalissimo Chiang.

⁵⁹ Not printed.

intimated that the China theater was no longer regarded here as meriting attention. The simple truth of the matter is that we are doing absolutely all in our power to help China win this war just as we are helping Britain and all the other United Nations to win this war. For you to entertain any thoughts to the contrary leads me to feel that you may not appreciate the strategic picture as it appears to me.

In the past six months it was impossible to prevent Japanese advances and the capture of the Philippines, the Dutch East Indies, Malaya, and Burma. This impossibility arose simply from the element of geography. During this period the first thing to do was to limit the extent of the Japanese advances in order to hold the South Pacific, to prevent us from being bottled up in the United States and to prevent control by Japan of all seaborne commerce in the Pacific and Indian Oceans.

This seemed to have been successfully accomplished until ten days ago and then a most unfortunate and unexpected development occurred. As I write this letter Egypt, the Suez Canal, Palestine, Syria, Turkey, Iraq and Iran, and even Ethiopia are all threatened with capture by the Germans and Italians. A simple glance at a map will show that if this happens American aid to China will be practically eliminated because of German and Japanese domination of the Indian Ocean, Persian Gulf and Bay of Bengal.

I am sure that in the light of the current situation you would not want the United States at this critical juncture to give no aid to Britain and Egypt since this would jeopardize the whole of the Far East. If you had been in my place, attempting to look at the war in its global aspects, I am sure that you would have done everything possible to bolster our position in the Near East. Your interest in China alone, I feel confident, would have led you to divert a few planes from the Indian theater.

You have yourself suggested the desirability of a single unified command for the whole war. For various and cogent reasons this is not possible to establish in any formal sense. By virtue of the American position, however, I am to a large extent filling that role. It is in this role that I have, as a matter of emergency, sanctioned the diversion of a few available planes from the Indian-China theater, even though earlier, before the emergency arose, I had felt that no diversion would be necessary.

Mr. Currie comes to you at a most critical and anxious time for all of us, and for you in particular. I have no doubt whatever of the ultimate victory of our cause. I am only grieved that our allies should have to bear the major brunt of the fighting in the next few months.

Mrs. Roosevelt joins me in extending our warmest personal regards to you and Madame Chiang.

Very sincerely yours,

[FRANKLIN D. ROOSEVELT]

711.93/489 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 4, 1942—11 a. m.

[Received 5 : 42 p. m.]

793. Reports have reached the Embassy and the Military and Naval Attachés from Chinese sources that General Whang, Air Attaché of the Chinese Embassy at Washington who recently returned to Chungking, has stated to Chinese that officials at Washington are very free in showing telegrams and reports from American official sources at Chungking to officials of the Chinese Embassy and other establishments. This is not the first indication we have had of leakages at Washington. There is evidence that the opinion is held in high Chinese quarters that unfavorable or critical reports have been sent to Washington by American officials at Chungking.⁶⁰ The Chinese are supersensitive to all criticism. This situation is most embarrassing to all American officials at Chungking endeavoring to keep Washington informed honestly and frankly of factual conditions in this country. We find our sources of information blocked and there is also evidence of tampering with Embassy mail. I urge that all officials at Washington receiving copies of telegrams and reports from Chungking, and particularly the war time agencies not familiar with foreign affairs and not fully conscious of the harm they are doing, be cautioned strictly in this matter.

GAUSS

793.94/17077b : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, July 4, 1942—6 p. m.

596. Please deliver to General Chiang Kai-shek the following statement and inform him that it is the text of a message from the President to him as President of the Executive Yuan and Generalissimo of the Armies and through him to the people of China on the occasion of the Fifth Anniversary of the attack on China by Japan. The message is being broadcast from the United States to China on July 6 through the agency of the Office of War Information :

"In the name of the people of the United States, your fighting allies in this war for freedom, I greet you on this anniversary of the most despicable attack on you in all your long and noble history.

⁶⁰ In his telegram No. 269, February 21, 1943, 10 a. m. (711.93/521), Ambassador Gauss reported the Embassy "learns from responsible source that prominent Chinese here has asserted that much of confidential information coming to State Department from Far East reaches Dr. Rajchman in employ of T. V. Soong." L. W. Rajchman was formerly Polish director of League of Nations Health Section.

The people of the United States hail you as brothers-in-arms in the great and difficult tasks remaining before the free and freedom-loving peoples of all the earth.

We are united as nations and peoples have never before been united. We are united to the end that the common aims of civilized men and women shall become actual and universal.

Five years ago, at the Marco Polo Bridge, you started your fight against the forces of darkness which were hurled against your country and your civilization.

You know, and all the world knows, how well you have carried on that fight, which is the fight of all mankind.

Increasingly, your arms and our arms will thrust back the enemy.

You, the people of China, and we, the people of the United States and the United Nations, will fight on together to victory, to the establishment of peace and justice and freedom throughout the world. Franklin D. Roosevelt."⁶¹

HULL

893.00/14866

The Ambassador in China (Gauss) to the Secretary of State

No. 501

CHUNGKING, July 7, 1942.

[Received July 31.]

SIR: I have the honor to enclose copy of a despatch, dated July 5,⁶² from Mr. John Davies, Jr., Second Secretary of Embassy attached to the staff of Lieutenant General Joseph Stilwell, U. S. A., Commanding General of the American Army Forces in China, Burma and India. Mr. Davies' despatch submits copy of a memorandum to General Stilwell dated July 5,⁶³ summarizing and commenting on attached copies of memoranda of conversations with

Madame Sun Yat Sen (widow of Dr. Sun Yat Sen)⁶²

General Chou En-lai (official representative at Chungking of the Chinese Communist Party)⁶⁴

Mr. Chang Han-fu (Communist newspaper editor at Chungking)⁶²

Mr. Sun Fo (President of the Legislative Yuan; son of the late Dr. Sun Yat Sen)⁶²

Mr. T. C. Lin (a former professor of Yunnan University, and incidentally, the paid "Chinese consultant" of Dr. E. M. Gale, representative in Chungking of Colonel William Donovan, coordinator of Information at Washington. I have also heard Mr. Lin described as an advisor to General Ho Ying-chin).⁶²

⁶¹ For answer by Generalissimo Chiang, see communication of July 7, p. 103.

⁶² Not printed.

⁶³ Enclosure 1.

⁶⁴ Enclosure 2.

The views of these several Chinese being summarized in Mr. Davies' memorandum, there is no occasion for me to review them here. The Embassy concurs in general with the comments made by Mr. Davies in his memorandum.

Respectfully yours,

C. E. GAUSS

[Enclosure 1]

Memorandum by the Second Secretary of Embassy in China (Davies) to the Commanding General, American Army Forces in China, Burma, and India (Stilwell)

CHUNGKING, July 5, 1942.

SUMMARY OF AND COMMENTS ON RECENT CONVERSATIONS

The attached memoranda of conversations in Chungking are summarized and commented upon in the following paragraphs.

Both Communist and Kuomintang officials interviewed anticipated a Japanese attack on Siberia in the near future. This expectation appeared to be based upon a belief that (1) Japan must round out its defensive position, therefore the threat of Siberia must be eliminated; (2) as the defeat of Germany would have disastrous effects upon Japan, a Japanese attack on Siberia to ensure a prompt German victory over the Soviet Union is indicated; and (3) time is operating against the Japanese, consequently they must act promptly.

None of the Chinese interviewed suggested that the outbreak of Russo-Japanese hostilities would be seized by the Chinese as an opportunity for taking offensive action against the Japanese. The Communists anticipated, in the event of a Russo-Japanese war, a determined Central Government effort to crush the Communist forces in Ningsia, Shensi and Shansi.

The Chinese interviewed all displayed what was to me, after talking to some of our officers, a strange confidence that the Japanese would not and could not knock out China. Chou En-lai said, and I think accurately, that even though the Generalissimo were forced to fall back into northwest China he would never capitulate to the Japanese.

Relations between the Central Government and the Communists would appear to have deteriorated. Chou En-lai and Madame Sun were definite in their statements that relations between the two sides had worsened with the tightening of the Central Government's blockade of the Communist area. General Chou declared that 441,000 Central Government troops were enforcing the blockade. Dr. Sun Fo and Mr. T. C. Lin sought to minimize the significance of the blockade and suggested that the Communist forces could not be considered effective and modern fighters.

This general picture of mutual distrust and antipathy between the two principal Chinese factions together with the apparent reluctance, with which you are familiar, of the Government to expend its strength against the Japanese lends color to Chou En-lai's suggestion that the Central Government military authorities are conserving their strength out of domestic political consideration and leaving offensive action against the Japanese primarily to the United States and the British Empire. In this connection Madame Sun observed that the Central Government military leaders were interested in problems closer to home than the retaking of Burma.

General Chou and Mr. Chang Han-fu, the Communist editor, reacted significantly to the subject of Chinese Government hints which have been made from time to time of impending capitulation and the resultant extension of American military and financial aid. The former remarked that the Chinese intimations were made for the effect which they produced. The latter asked why we did not call the bluffs.

It is not unlikely that their attitude reflects a belief that American material aid to the Chinese Government will someday be turned against the Communists.

Mr. Tsiang Ting-fu, Political Vice-Minister of the Executive Yuan, said on June 27 that the Generalissimo's attitude was that India should immediately be granted independence and that General Chiang had not hesitated to let the British know his position in the matter. Dr. Sun seemed to hold some rather vague and not well-founded ideas on the Indian problem. In contrast, the Communists and Madame Sun appeared to be aware of the complexity of the problem. This was probably due in a large measure to their realization that the Indian National Congress and the Muslim League are reactionary on virtually every issue save that of independence.

Mr. T. C. Lin's forecast on the European war envisaged an Anglo-American race against the Russians to Berlin. He also warned against the development of a situation at the termination of the war in which the Soviet Union would again feel itself isolated and compelled to build up armaments sufficient to repel any possible combination of enemies. In such a situation he foresaw the possibility of an Anglo-Japanese understanding.

From my conversation with Mr. Tsiang and Mr. Lin I derived the impression that these two gentlemen and the influential group in the Central Government which they, in a minor capacity, represent are acutely aware of the manoeuvring by each of the United Nations (excepting perhaps the United States) to husband its military strength so that it may arrive at the peace table with its maximum bargaining power. My guess is that the Chinese Government is with-

holding offensive action against the Japanese and conserving its strength out of international as much as domestic political considerations.

JOHN DAVIES

[Enclosure 2]

Memorandum by the Second Secretary of Embassy in China (Davies) to the Commanding General, American Army Forces in China, Burma, and India (Stilwell)

CHUNGKING, June 29, 1942.

CONVERSATION WITH CHOU EN-LAI

General Chou En-lai, Communist representative at Chungking, was recovering from an operation when I saw him at the Central Hospital on June 29.

Since the beginning of the Pacific War, General Chou stated, he has not been called in for consultation with the Central Government authorities. During the past three weeks, as the expectation of a Japanese attack on Siberia increased, the Central Government's blockade of the Communist area in the northwest has tightened. General Hu Tsung-nan commands an army of 441,000 maintaining this blockade. Twice I tried to lead him out on what the Communist reaction would be to the withdrawal of substantial numbers of Central Government troops from the blockade. His replies were not clear beyond that he believed such action unlikely, but that if it were taken the Communists would probably return eastward.

General Chou did not anticipate a Japanese attack on Kunming. He pointed out that the Japanese knew that the decisive subjugation of China would be a never-ending task and, in effect, that more important objectives still lay before them. Current Japanese operations he regarded as an interim campaign preceding a major effort against either Siberia or India. An attack on Siberia he considered to be more likely.

Although General Chou did not expect Kunming to be attacked and occupied by the Japanese, he said that if the capital of Yunnan were taken, he would expect the Generalissimo to withdraw to Lanchow. He declared that others may be able to seek peace with the Japanese, but never the Generalissimo. He remarked with a significant smile that rumors of the Chinese being prepared to accept Japanese peace offers were staged for effect.

In commenting on General Ho Ying-chin, the Communist representative said that General Ho's objective was to conserve the military strength of the Central Government, leaving the defeat of Japan to the United States and Great Britain. If Germany, however, emerged victorious over the United States and Great Britain he was also pre-

pared to come to terms with the Germans. In any event the Minister of War was opposed to the expenditure of the Central Government's military power; it would be needed after the termination of the war with Japan. Therefore to any program for military action General Ho could be expected to present objections and discover obstacles in the way.

According to General Chou, not more than 600,000 troops at the most would acknowledge the personal leadership of General Ho, as against some 2,500,000 which the Generalissimo can personally depend upon. The Communist leader said, "General Ho can command some Szechuan troops, he can command the Yunnan troops—perhaps—and he can command a part of Ku Chu-tung's armies; that's all." The War Minister's power lies, General Chou explained, obviously not in the relatively weak forces which might respond to his command, but in his administrative hold developed over a period of more than a decade.

The Indian problem interested General Chou. He asked many questions. Apparently he had no sympathy for the Congress and was visibly amused by the incongruity of the tacit alliance in India between British colonial imperialists and the Communists.

Unified command is the most important factor, General Chou stated with emphasis, in any attempt to retake Burma. He said half laughingly half seriously that if the Generalissimo would permit him, he would take Communist troops under his command for a Burma campaign and "I would obey General Stilwell's orders!"

JOHN DAVIES

740.0011 Pacific War/2618 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 8, 1942—4 p. m.

[Received July 9—3:55 a. m.]

812. The various messages and addresses made by Chinese officials to the Chinese people on the "double seventh" were characterized by a calm confidence and by a determination to see the war through to a successful conclusion.

General Chiang spoke of the responsibilities which collaboration with the United Nations imposed upon China, dealt particularly with America's supremely important duty in the Pacific from a naval point of view, warned against giving credence to reports that allied strategy accorded the Pacific war a place of second importance and urged Chinese "to depend on yourselves to exert your utmost to fulfill your duty".

General Ho Ying-chin said that, with increased foreign aid, the "morale of the Chinese army was never higher"; that on the Kiangsi-

Chekiang front the Japanese had scored only local victories; and that Chinese forces remained intact and ready to counter attack.

Finance Minister Kung spoke with confidence of China's ability, with foreign financial assistance and internal measures, to meet her economic difficulties. Rise of prices constituted the most serious problem, he said, and promised to meet it through price regulation, restriction of bank credit and increased productions.

Dr. Sun Fo predicted victory and restoration to China of all territory lost since the Sino-Japanese war of 1894. With regard to post-war reconstruction, he stated that China has still far to go toward the consummation of democracy politically, economically and socially.

Chen Li-fu, Minister of Education, pointed out that China's resistance is no myth or miracle; that it is based on determination, hatred of the enemy and staunch war effort. "China will never compromise with Japan," he said.

While allowance must be made for the fact that these statements are for public consumption on a significant anniversary, the Embassy considers them a reflection somewhat exaggerated of a sincere Chinese feeling that China will be able to weather the storm and come through victorious with the other United Nations. Vincent returning from Yunnanfu states that he found a similar feeling among the officials and businessmen with whom he conversed there.

GAUSS

793.94/17079

The Chinese Ambassador (Hu Shih) to the Secretary of State

The Chinese Ambassador presents his compliments to the Secretary of State and has the honor to enclose herewith a translation of a telegram addressed to the Secretary of State from Generalissimo Chiang Kai-shek, President of the Executive Yuan and Acting Minister for Foreign Affairs, under date of Chungking, July 7, 1942.

WASHINGTON, July 8, 1942.

[Enclosure—Translation]

TELEGRAM TO HONORABLE CORDELL HULL, SECRETARY OF STATE, FROM GENERALISSIMO CHIANG KAI-SHEK, PRESIDENT OF THE EXECUTIVE YUAN AND ACTING MINISTER FOR FOREIGN AFFAIRS, CHUNGKING, JULY 7TH, 1942

I wish to convey to you the appreciation of the Chinese Government and people for your telegraphic message of good wishes on the occasion of the Fifth Anniversary of China's war of resistance against aggression.⁹⁶

⁹⁶ See telegram No. 596, July 4, 6 p. m., to the Ambassador in China, p. 97.

China and the United States are now faced with the same enemy and are engaged in a common struggle in concert with other anti-aggression nations. This constitutes a most memorable event in the long history of cordial relations between our two countries. The Chinese army and people will long remember your message in praise of China's war effort, and we will surely spur ourselves to further endeavors in the fulfillment of our duties in order to bring about the defeat of the brutal aggressors for the common good of our two countries and all the other United Nations.

CHIANG KAI-SHEK

740.0011 Pacific War/2680

The Ambassador in China (Gauss) to the Secretary of State

No. 508

CHUNGKING, July 9, 1942.

[Received July 31.]

SIR: I have the honor to enclose for the information of the Department, a memorandum prepared by the Counselor of the Embassy, Mr. John Carter Vincent, on the subject of continuation of Chinese resistance to Japan and the suggestions that if American support for China is not forthcoming in the measure China expects consideration might be given to peace with Japan.

The Embassy has long been of the opinion that little more could be expected from China in the present war than continued resistance with the object of containing in this country a substantial Japanese military force which might otherwise be used elsewhere against the United Nations. I believe that the major battles of the war of the United Nations will be fought in other theaters. I have recognized that China might afford a springboard for aerial offensives against Japan from air bases in eastern China—Chekiang and Kiangsi—provided those bases could be supplied with aviation fuel, bombs and service facilities; but those air bases have recently been lost to the hands of the Japanese. Incidentally, the Chinese charge that the loss of these bases is due largely to lack of air support for the Chinese armies in the Kiangsi-Chekiang area; air support which had been expected from the United States.

For the time being at least, there remains in this theater of the war the one important problem of continuation of Chinese resistance to Japan; and effective resistance, not only to the measure of Japanese resistance which has been experienced in the past but to the greater pressure which Japan may at any time bring to bear for the settlement of the "China Incident". Military and other observers have long maintained that if Japan had been disposed to throw into China heavily increased forces, with air support on a larger scale, Chinese

resistance could readily be crushed. But for over four years, Japan has been husbanding the Japanese military strength for the greater program of aggression on which that country has now embarked.

With the success of the Japanese offensive southward, it now remains to be seen in what direction Japan will turn in the near future. If Japan becomes involved in a substantial way in major offensives against Siberia, India, or Australia, it is not likely that increased Japanese pressure can be applied at this time on China; but unless Japan does so become involved in other directions, it is to be expected that added pressure on China will develop, and I do not believe that, without reasonable outside support, China will be able effectively to resist such Japanese military pressure.

China of course cannot service any large air force; but it does have the facilities to service a reasonable number of fighter and bomber planes, operated by American personnel; and a reasonably strong air force would give substantial backbone and aid to the Chinese military forces in defensive operations against Japanese pressure and in harassing tactics against Japanese positions and lines of supply and communication in this country. Air operations against the Japanese in China, independent of the operations of the Chinese ground forces, would also be capable of rendering results commensurate with the force available for the purpose. China is also in need of munitions and materials for the manufacture of munitions, without which the Chinese ground forces cannot be expected to continue resistance for an indefinite period.

I believe that an effort should be made without delay to give China reasonable American air support and to maintain and develop air transport facilities capable of providing a continuing supply of munitions and materials for the manufacture of munitions. With such support, I believe that China can reasonably be expected to continue effective resistance to the Japanese in China and even to increased Japanese pressure in this country. As the war continues, however, and Chinese reserves are depleted and morale deteriorates, I do not believe that continued effective Chinese military resistance to Japan can be expected to continue without outside support.

Respectfully yours,

C. E. GAUSS

[Enclosure]

Memorandum by the Counselor of Embassy in China (Vincent)

[CHUNGKING,] June 28, 1942.

The "question" of a continuation of resistance by the Chinese has been raised again in the recent conversation between General Stilwell

and Generalissimo and Madame Chiang.⁶⁷ Although there are in the situation factors, phases and angles—psychological as well as factual; personal as well as political—which must be considered, it is possible nevertheless to offer a reasonably satisfactory answer.

First, it is believed that the answer to the question is to be found in the internal situation rather than in external circumstances; that is, ruling out the possibility of allied reverses so serious that the Chinese lose confidence in an allied victory (losses such as Tobruk are a shock but they do not appear to shake confidence in ultimate victory), the continuation of resistance does not depend upon the reception of allied aid, as General Chiang implied and Madame Chiang stated in their conversation with General Stilwell. Chinese in a position to assess the potentialities do not, I believe, consider that the amount of assistance that can be brought into China now or in the near future can have any decisive result—can in fact effect a material change in the situation. Neither air support nor artillery in sufficient force to make possible an offensive can, in the case of air units, be maintained in China and, in the case of artillery, be brought into China. Small arms and ammunition are needed but are not essential to a continuation of resistance of the kind that has characterized the hostilities in China for the past two years. Hence the attitude adopted by Generalissimo and Madame Chiang toward the recent diversion of planes and other supplies from China has its explanation more in fact than in the actual facts of the situation. American planes would be useful in China: they are in no sense vital to a continuation of resistance. The statements made therefore by General and Madame Chiang, while worthy of serious consideration, should not be cause for alarm.

When the Generalissimo says, as General Stilwell reports, that he wants to know whether the United States continues to consider China as a real theatre of war in order that he may know what course China should follow in the future and when Madame Chiang explains that the Generalissimo means whether China should come to terms with Japan, the question arises: Who is going to come to terms with the Japanese?

There are three possibilities. General Chiang might come to terms. General Chiang, and the family and political intimates supporting him, might voluntarily retire from the scene and permit others less committed to resistance to come to terms. Or, Chiang and his immediate associates might be forced to retire by those desirous of coming to terms with Japan.

The possibility that Chiang might come to terms with the Japanese is so slight that I believe it can be dismissed. Chiang, as the Embassy has stated on several occasions, is irrevocably committed to resistance.

⁶⁷ For further correspondence on this, see memorandum of conversation, July 11, *infra*.

Unity and resistance are the two pillars of his policy. Through the latter he has achieved a large degree of the former. He could not give up the one and retain the other under his leadership. And there is also the personal equation. Chiang envisages himself as one of the four great leaders on the allied war front. As such he can demand support but he cannot seriously consider abandoning the fight.

The possibility that Chiang and his immediate adherents might voluntarily step aside in order to permit others to come to terms with the Japanese is merely a possibility. It is in no sense a probability largely for the reasons cited in the preceding paragraph which apply forcefully, if less directly, to the contingency of voluntary retirement. Chiang would have everything to lose and nothing to gain by such a gesture. Furthermore, the question of voluntary retirement presupposes the existence of a group capable of leading the country and government to the acceptance of terms with Japan. This supposition leads to consideration of the third possibility.

Under certain contingencies, it is possible that a group in the government less committed to resistance than Chiang might be able to force his retirement and come to terms with the Japanese. This possibility could only become a probability should the allied fortunes of war fall so low as to undermine general confidence in an allied victory. At present there exists no group within or without the government or party capable of initiating and pursuing a policy contrary to that of Chiang. In fact it is doubtful if there exist within the government individuals of importance who have a desire to oppose Chiang. The most powerful men in the government in their various fields—(Chen Li-fu, Minister of Education, and with his brother Chen Kuo-fu, the leader of the influential "C-C" clique; H. H. Kung, controller of the finances of the country; Chang Chun, Governor of Szechuan and leader of the "political science" group of officials who, although oriental in their outlook, are not pro-Japanese; Ho Ying-chin, Minister of Military Administration and "elder officer" of the Whampoa military academy clique which has much influence in the army; and Tai Li, chief of the Chinese gestapo with a large "army" of political agents and also "Whampoa")—these men or the groups they lead are not inclined to oppose the Generalissimo even though they may not be as determined upon resistance as the Generalissimo. They are, in fact, bound to the Generalissimo by bonds of personal loyalty in varying degrees which seems to preclude their taking action against him. Their importance in the political picture lies in the role they play in the government *under* Chiang and the role they would play should Chiang fortuitously be removed from the picture rather than in any role they might play in opposition to Chiang. Chiang is not a dictator but Chiang is so astute a politician

and manager that he has been able to maintain control over the various groups, preserving a certain bond with each and playing one off against another when and where necessary.

There is another important angle of the situation which must be mentioned in connection with discussion in the foregoing paragraph. Although public opinion in China is not well organized or vocal, it is in fact committed to resistance and it is doubtful, even should there be a group or a combination of groups within the government desirous of setting themselves up in opposition to Chiang and coming to terms with the Japanese, that such a group could carry opinion among the rank and file of the country and the army with them. More likely they would bring chaos—or a degree of disunity close to chaos. Furthermore, it would be extremely difficult to “sell” the people on the idea of peace with Japan because they could be shown very little in the way of practical benefits that would accrue therefrom.

It is clear from the foregoing, I think, that there is actually little “question” in present circumstances of a discontinuation of Chinese resistance; that resistance will be continued upon its present and past “non-offensive” basis; and that any move or inciting of a move for terms with the Japanese is so remote a possibility that it is hardly worth consideration. Confidence in an allied victory persists generally and may be relied upon to continue unless shaken by reverses of considerable magnitude. It is true (as a sidelight) that there is a large and influential body of Chinese officials who would view a Russian land victory in Asia over Japan with hardly less misgiving than a Japanese victory over Russia but this feeling is not shared by most people in and out of the Government.

Although terms with Japan may be ruled out, there are possibilities in the situation less spectacular and decisive that cannot be. One of these is the possibility that there may be a peripheral disintegration of authority and disaffection should confidence in allied victory be weakened. Further deterioration in the economic situation might have a like effect. Provincial leaders such as Yu Han-mou in Kwangtung, Lung Yun in Yunnan, and Yen Hsi-shan in Shansi might be persuaded that association with the Japanese puppet regime at Nanking would be more advantageous to them than continued loyalty to Chiang. I do not think this will occur but it is a possibility that cannot be overlooked, and it is a possibility with which the Chungking Government would be ill-prepared to cope. And there is another element in the situation. Under the influence of those in government who have little sympathy with western concepts of democratic government, who have a fear of Chinese communism which beclouds their judgment, and who are intent upon conserving the dominant position of the Kuomintang now and after the war, the

government might be persuaded to reduce its resistance to a minimum in order to conserve military strength for the future. In such a contingency, Chinese insistence upon receiving assistance from us might prove a greater embarrassment to us, viewing the war globally, than to the Japanese.

In conclusion, the Embassy's view has been and I think should continue to be that China should be given all practical assistance—practical from the standpoint of ability effectively to utilize such assistance in China, practical from the standpoint of transportation facilities, and practical from the standpoint of needs in other theatres of the war. Assistance should not be given because of a fear that failure to do so would result in the Chinese authorities' ceasing resistance and seeking peace with Japan.

JOHN CARTER VINCENT

793.94119/774

*Memorandum of Conversation, by the Ambassador in China (Gauss)*⁶⁸

CHUNGKING, July 11, 1942.

General Stilwell^{68a} came over to see me this morning by appointment. He said he wished to get my reaction to the report of the Military Attaché, Colonel Mayer, of alleged peace conversations at Chungking between the Japanese and the Chinese. (Colonel Mayer recently reported that the Russian Military Attaché had informed him that a Japanese is now in South Hot Springs, Chungking, and is the bearer of peace proposals along the lines of those made by Prince Konoye when Prime Minister several years ago.⁶⁹)

I told General Stilwell that I had noted Colonel Mayer's report, and its source, and had found it interesting, but I attached no particular importance to it. We at the Embassy found that the reaction at Chungking on the war situation followed the trend of the fortunes of the United Nations; when those fortunes are low we observe discouragement among the Chinese and renewed rumors of possible peace negotiations. This was not the first report or rumor that we had had from the Russians; I had no reason to believe that their sources were particularly good or accurate; and I did not recall any particular Russian report which had been proven correct. However, I did not dismiss the report on that ground. We at the Embassy have been keeping our ear to the ground for some weeks, talking with Chinese officials and others who are inclined to talk frankly, and we had yet

⁶⁸ Copy transmitted to the Department in covering despatch No. 514, July 14; received August 7.

^{68a} He was accompanied by Brigadier General Hearn, his Chief of Staff.

⁶⁹ See statement of December 22, 1938, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 482.

to discover anyone who believed that peace negotiations or discussions of any kind were going on with the Chinese—certainly not with the Generalissimo and those in authority. Practically everyone had maintained that with or without aid of the United States and other nations, China would continue to resist the Japanese in China. I stated that I had not had occasion to see the Generalissimo for several weeks—since T. V. Soong has become Foreign Minister and remains at Washington most of the conversations between China and the United States have apparently been through Soong at Washington and I was not informed of them—but on several occasions in the past when there have been rumors of peace proposals I have mentioned the rumors to the Generalissimo and he has been most emphatic in his statement that no peace proposals had been received nor would any be entertained. I felt confident that, notwithstanding the existing rumors and such reports as that from the Russian Military Attaché, the Generalissimo and those in authority in the Government could not afford to entertain peace terms from the Japanese; certainly not peace terms which would leave the Japanese in substantial control of the country. I asked Stilwell what he thought of the report.

He replied that he was inclined to share my view that the Generalissimo could not and would not entertain peace proposals from Japan, on the grounds (1) that the Chinese have their eyes on the rich plum of half a billion dollars U. S. currency held out to them, and (2) that the Generalissimo and those around him had nothing to gain and everything to lose by making peace with Japan; but on the other side of the picture there are (1) the recent “three demands” by the Generalissimo with the suggestion of peace with Japan as the alternative, and (2) the manner in which the Generalissimo and China have been built up by propaganda in the United States to a point where it might be possible for the Generalissimo to make a peace with Japan and yet get by with the people of the United States by saying that China has been isolated, can no longer receive outside aid, and perforce has had temporarily to make a peace with Japan, a peace which will be set aside as soon as China can regather strength.

I remarked that I had no information of the “three demands” made by the Generalissimo to which General Stilwell referred; I had been told nothing of them. I asked what they were; and I had to repeat my inquiry several times in the course of the conversation that followed before he finally told me that the Generalissimo demanded (1) three American divisions in India, with the necessary auxiliary troops, (2) 500 combat airplanes, which meant 1,000 since there must be about the same number in reserve, and (3) 5,000 tons of supplies by air transport monthly. I asked why Chiang wanted three divisions in India; Stilwell replied that of course Chiang would like to have

them in China, but India is mentioned as the base for a drive to re-take Burma to re-open the route of supply to China. Stilwell said that the Generalissimo is sticking to these demands; he will not listen to reason; he will not accept figures showing that, for example, it is not possible to supply and service 500 combat planes in China (Stilwell mentioned that the supplies of gas and bombs in the country would only service the present small air force we have sent in for six months in carrying out the limited missions assigned to them); he will wave aside information showing that it would be necessary to build five new air fields near Kunming to service the transport planes necessary to bring in 5,000 tons a month—and 5,000 tons represented about what it would take to supply 500 combat planes.

By further questioning I developed more of the conversation which had taken place between the Generalissimo and Stilwell (with Madame Chiang present). He said that the Generalissimo insisted upon the aid indicated (the three demands; but he admitted there were also "some other things" he wanted) or he would have "to make other arrangements". Stilwell said that he inquired whether he understood correctly the statement that the Generalissimo would "have to make other arrangements" and this had been put back to the Generalissimo in Chinese by Madame Chiang and he had confirmed the statement.

I commented to Stilwell that the report as it had reached me through Colonel Mayer, my Military Attaché, was to the effect that the Generalissimo had been greatly irritated at information conveyed by Stilwell that certain American air support had been diverted to the Middle East and had said to Stilwell that he wished to know whether Washington still considered the China theater worthy of aid—this, in order that he might plan for the future—and that it was Madame Chiang who had made the aside in English that this implied peace with Japan. I had not been told of the Generalissimo's three demands. When Colonel Mayer reported to me on Saturday, June 27, the information he had received from Stilwell regarding the conversation with the Generalissimo, I had considered it desirable to see Stilwell and had come over for that purpose on Sunday, June 28; and I had not then learned anything from Stilwell about any three demands or any further conversation with the Generalissimo.

I asked Stilwell when the three demands had been made. He said he was confused as to dates and could not say without referring to his notes. (I had to leave it at that, with Stilwell intimating that Colonel Mayer had not conveyed to me in full the conversation he (Stilwell) had given to Mayer. At that time Stilwell was still ill and I doubt whether he has a very clear recollection of what he did tell Mayer.)

I then asked Stilwell whether he had reported his conversations with the Generalissimo to Washington; he said he had. I asked whether there had been an answer; he said no, except that on some points there had been profuse apologies but the main issue had not been met.

Referring to Stilwell's two points—Chiang's demands and the possibility that Chiang might be able to make a peace with Japan and get by with it in the United States, I expressed my views substantially as follows:

I agreed that it is unfortunate that Chiang and the Chinese have been "built up" in the United States to a point where Americans have been made to believe that China has been "fighting" the Japanese for five years, and that the Generalissimo, a great leader, has been directing the energetic resistance of China to Japan and is a world hero. Looking the cold facts in the face one could only dismiss this as "rot". China's "prowess" has been overplayed; and we have said so to Washington.

As to Chiang's demands, Madame Chiang's aside, and the Generalissimo's statement that he would "have to make other plans"—whatever that implied—it is my firm conviction that this is a bluff; and the type of bluff that Madame Chiang was capable of concocting and selling to the Generalissimo. This "either or else" attitude could not, in my opinion, be accepted. (I had in mind in this connection a report which has circulated in Chungking to the effect that Stalin ⁷⁰ some months ago told Washington that either the U. S. must come through with all-out aid to Russia "or else" Russia would make a separate peace with Germany.) I commented that even the Communist leaders here seem to know that Chiang is putting up a bluff, for they tell us that it is a bluff and we should "call" it. I recalled that Dr. T. F. Tsiang (Tsiang Ting-fu) was the Government spokesman who had first sounded the note that Japan proposes to undertake a major offensive in China and China must have help—planes, and more planes, and more planes. I said that in a recent conversation I had with Dr. Tsiang, whom I found to be more frank and plain-spoken than most Chinese officials, I had asked him point blank whether there was any discussion or indication of any kind in the Government of possible peace with Japan and he had given me an immediate and positive "no" in reply. And everyone else with whom any of us has talked takes the same line—there is no thought of peace with Japan. Those who are outspoken describe the recent Chinese cry for planes and more planes and more planes as pure bluff; China sees other nations being supplied and wants her share. As to Madame Chiang's

⁷⁰ Iosif Vissarionovich Stalin, Chairman of the Council of Commissars (Premier) of the Soviet Union.

remark, I had commented to Washington that I considered it as representing her impatient and captious attitude and I did not believe that General Chiang, or in fact Madame herself, had any thought of possible peace with Japan.

I said that I did feel, however, that a reasonable measure of air support and munitions should be given to China; that it should be given without default; and that whatever the demands from other theaters, I believed this aid should come to China without fail and without unnecessary delay.

In my opinion—and we have had this opinion consistently from the beginning of my tenure as Ambassador—China is only a minor asset to us; she might however become a major liability. As an asset, China has contained a substantial Japanese force in China that might otherwise have been used in some other theater against the United Nations. There was also the possibility that we could use the air fields in eastern China as a base for an air offensive against Japan but now those fields are lost and there appears to be little chance of their being recovered and used; so that China is less of an asset than ever before. But it is desirable that China continue to be aligned on the side of the United Nations—if only to continue to contain a substantial Japanese force now stalemated in China. And having in mind the demand for three divisions of American troops in India to attack Burma, those at Washington concerned with high strategy might find it desirable to undertake a thrust at Burma from India at the same time that MacArthur starts “rolling them up” from Australia and our Navy may perhaps attack the Japanese island strongholds in the South Pacific—unless of course Siberia comes into the picture and the United Nations strategy contemplates getting at Japan through Siberia.

I have also felt that there is a real possibility—but I have not been willing to call it a probability—that Japan may hesitate to attack Russia in Siberia, or India, or Australia, but, instead, concentrate on China, in which case China must be bolstered so far as possible toward offering effective “resistance”. Therefore it has seemed to me that the United Nations should not hesitate longer in sending into China all the air force that China can sustain and service—and that does not seem to be a very large force—together with a continuing supply of materials for small arms ammunition; so that China can at least have means and assistance available in attempting continued resistance—and effective resistance, I hoped—against Japan.

Stilwell mentioned that he fears a Japanese attack on Yunnan from Indo-China. I commented that we have heard before of such possibilities; and now we also have the possibility of such an attack synchronized with an attack from Burma; but personally, I believe

that if Japanese forces become heavily engaged on other substantial and major fronts, additional pressure on China will not be applied. On the other hand, if Japan does not become involved in Siberia, or Alaska, or India, or Australia, then we can expect her to throw her weight against China. These are considerations which should be weighed in Washington. A decision should be reached as to what can be supplied to and used in China—and it is important that we consider not what China wants but what China can use—and Chiang should then be told that he will be given that support. If he persists in demanding more and threatens peace with Japan, I am of the opinion that he should be told, with authority of Washington, that when he undertakes to negotiate a peace with Japan the American military and diplomatic missions will immediately be withdrawn without further ado from China, and that finishes all American assistance to China—now and for the future.

The conversation then turned to Currie. (I had sent Stilwell word that Currie was coming out; he had replied with the information that he already had had word from Washington to that effect.) He asked what authority Currie has. I replied that all I knew about Currie's visit was contained in my message from the Secretary of State⁷¹ which I drew from my files and showed him. He said, in reply to a question, that the Chinese had not mentioned the Currie visit. I stated that it had not been mentioned to me from any Chinese source, but that I knew from an American source that the fact of Currie's expected visit was known in Chungking and had come to him on a date which I identified as before the receipt of the message by me from Washington.

Stilwell said that Currie was meeting General Gruber⁷² (whom Stilwell is sending to Washington) today, in Accra, Africa. Stilwell wanted to know whether we would see Currie before he saw Chiang; would he confer with me, would he confer with Stilwell. I said that I did not know; nor did I know Currie's wishes; but I was sending an invitation to Currie (to be taken to New Delhi by Colonel Mayer) to stay at the Embassy. I doubted whether he would do so; but I had made the offer and had told Currie that we stand prepared to give him any assistance desired; further, I knew not! Stilwell seemed to feel that Currie should confer with him and with me before seeing the Chinese. I agreed that this seemed to me desirable, but I did not know what Currie would do nor did I know what his instructions might be.

C. E. GAUSS

⁷¹ Telegram No. 591, July 3, 9 p. m., p. 94.

⁷² Brig. Gen. William R. Gruber, of General Stilwell's staff.

893.24/1427

*Memorandum by the Second Secretary of Embassy in China (Davies)
to General Stilwell*⁷³

CHUNGKING, July 11, 1942.

General Yang Chieh has been President of the Military Academy at Nanking and Chinese Ambassador to the Soviet Union during the early part of the Sino-Japanese conflict. He is now in retirement. I had been told that several months ago that he had written an article, which had received some publicity, advocating the concentration of United Nations' strength on the defeat of Germany. Apparently the President had been informed of this article, for T. V. Soong was said to have reported to the Generalissimo that the President had in conversation with him commented favorably on General Yang's point of view. Thereupon the Generalissimo, according to the report which I heard, ordered General Yang to desist from writing in that vein, or at least to write under an assumed name.

General Yang was the first Chinese with whom I talked in Chungking who did not anticipate an imminent Japanese attack on Siberia in the near future. He believed that the Japanese had more to gain by delaying military action against Siberia. A Japanese attack against India he considered to be more likely. The profits to be gained would be more immediate and more remunerative.

The experiences of General Yang in connection with the obtention of Russian aid for China in the early phases of the Sino-Japanese hostilities were illuminating and significant in connection with our own program of lend-lease aid to China. He said that the day after his arrival in Moscow he stated China's needs to the Soviet military authorities. In a matter of two or three days the main outlines of what form this aid was to take had been decided upon. Prices were not mentioned in the initial negotiations and when they were, they were lower than those asked by American and British commercial organizations. The supplies promptly began to move and, as we know, arrived during the early phase of the war at Haiphong, Hong Kong and Lanchow by the thousands of tons.

But then came the Russian disillusionment. They discovered that the aircraft were misused and cracked-up by inexperienced personnel and that the other material seemed scarcely ever to find its way into combat against the Japanese. It disappeared and no accounting was given. The Russians reproached him for misrepresentation and he found himself in a most uncomfortable position.

We Americans must be on guard against a repetition of the Russian experience, General Yang warned. We must take steps to insure

⁷³ Apparently this copy was brought to the Department by Mr. Davies.

that the material which we supply China is used for the purpose for which it is given. If this is not done, lend-lease supplies will be hoarded by the Chinese Government (for civil warfare, maintaining the dominance of the regime now in power and for increasing China's military strength against the day when it can be used as a counter at the peace table?) "We Chinese have thick skins," General Yang stated, "and you have been too polite with us."

Mr. Chang Pai-chun, leader of the Third Party, was present during the interview and signified agreement with General Yang.

JOHN DAVIES

740.0011 Pacific War/2704

The Ambassador in China (Gauss) to the Secretary of State

No. 518

CHUNGKING, July 15, 1942.

[Received August 7.]

SIR: I have the honor to enclose for the Department's information a memorandum of conversation with Dr. Henry Chang, Director of the American Department of the Ministry for Foreign Affairs. Dr. Chang has only recently returned to China after more than a decade abroad in the diplomatic service. His last post was Minister to Chile. Although Dr. Chang is not party to the councils of the great on high policy, he is an official of intelligence and his observations, coming from a Chinese who is seeing his country anew after many years, are worthy of note as representing in some degree the viewpoint of the strata of Chinese officialdom in which he finds himself.

Respectfully yours,

C. E. GAUSS

[Enclosure]

Memorandum by the Counselor of Embassy in China (Vincent) to the Ambassador in China (Gauss)

[CHUNGKING,] July 14, 1942.

This morning I called on Dr. Henry Chang, Director of the American Department of the Foreign Office. After we had finished with the immediate business of my call (American radio stations in Chungking), the conversation turned to the general situation in China in relation to the war effort.

I wanted to get from Dr. Chang (and told him so) his impressions, as a Chinese back in China after many years' absence, of the China scene in relation to the general war effort.

Dr. Chang said that the circumstance or condition which had impressed him most upon his return was the fortitude with which the

Chinese people were carrying on with the war and the confidence with which they looked forward to ultimate victory. He said that, from his own observations and from information coming to him, he reached the conclusion that this fortitude and this confidence were general throughout China, among the people in the capital and in the provinces and among all classes. There was war weariness, of course, but this did not seem to modify the feeling that resistance must be continued until the Japanese were driven from the country. Much hope had been placed upon the entrance of America and England into the war in the Pacific and the initial reverses had, quite naturally, made for disappointment. It was a fact that the economic and the military situation in China had actually worsened as a result of the general war in the Pacific but that morale had not. He said that Chinese generally had a sincere expectation that the United Nations would win the war.

Dr. Chang commented that Chinese with whom he was in contact felt that China was not being given sufficient aid. He pointed to production reports from the United States and said that the Chinese felt that the China theater of the war merited greater support. He referred to talk of a "second front" and said that China might be considered the "second front". I mentioned transportation difficulties. He said that he had in mind principally air support and the materials that would be required to support an American air force in China. Materials for arsenals were also mentioned. He expressed the opinion that some definite amount of support, which took into consideration transportation facilities, should be decided upon and that then definite provision should be made for getting that support to China.

Dr. Chang said that he had never heard the matter of assistance from America mentioned as essential to the continuance of Chinese resistance. China needed assistance but China would continue to fight whether she received assistance or not. He dismissed as baseless rumor any talk of China's entertaining peace proposals from Japan.

Dr. Chang thought, as many other Chinese officials, that the Japanese were planning an attack on Siberia but were delaying action in the hope that Russian reverses in Europe would soon present a more favorable opportunity for their offensive. He considered the Japanese campaigns in Chekiang and Kiangsu as offensives with a limited and defensive objective. He did not anticipate any major Japanese offensive against China at this time and did not consider as realistic prognostications that the Japanese had plans for establishing rail connections between Korea and French Indo-China through eastern China.

JOHN CARTER VINCENT

740.0011 Pacific War/2667 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 23, 1942—9 a. m.

[Received 11:58 p. m.]

867. In the Chekiang area Japanese troops evacuated Wenchow soon after occupying it on July 11 and Chinese troops reoccupied the city on July 17 but the next day Japanese troops from naval vessels retook the port and held it. Chinese claim that they are still holding Juian, south of Wenchow, which they retook on July 17.

In Kiangsi the Japanese have withdrawn from a number of points indicating that they do not intend to hold the Chekiang-Kiangsi railway. The Chinese have reoccupied Hengfeng and Tyang on the railway and they expect the Japanese to give up Shangjao and possibly Chuchow, pointing out that the Japanese are engaged in systematic plundering of towns and extortion of money, apparently preliminary to withdrawal. The Chinese state however that even should they be able to reoccupy the strategic airfields in Chekiang and Kiangsi it would not be difficult for the Japanese to prevent their reconstruction.

There have been small scale and seemingly insignificant clashes between Chinese and Japanese troops in Southern Honan near Sinyang, in Southern Shansi and in Suiyuan south of Paotou. The Chinese claim successes in these operations.

An American naval observer recently returned from Chekiang states that the Chinese commander at Lishui had well equipped troops and was anxious to fight but that under orders from Chungking he was obliged for political reasons to withdraw without fighting. The Embassy had received no report of unconfirmed reports that the Chinese commanders in the Chekiang area were advised from Chungking not to make a determined stand against the Japanese.

There have been no recent political or economic developments of note. Lowering of the United States dollar-Chinese *fapi* rate to five cents has had no appreciable effect on the financial situation. Sale of United States dollar certificates and bonds continues insignificant.

Embassy is inclined to question statement in message to Treasury (Embassy's 841, July 15) ⁷⁴ that improvements in terms and methods of issue would have made no appreciable difference. Embassy continues to believe that trust fund arraignment and trustworthy assurance of free use of dollar credit upon redemption, even at this late date, would have encouraging effects upon sales.

The government spokesman, announcing Currie's arrival, stated that his second visit "will undoubtedly be even more fruitful than his first visit". Asked whether more planes were needed in addition to those of the present United States Army Air Force, he replied "Of

⁷⁴ *Post*, p. 530.

course—more.” Questioned regarding other material needed, he said, “The list is very long.”

In general, the Embassy does not perceive anything in the present situation to cause it to alter its view that the Chinese will, in their own fashion, maintain the policy of resistance and continue to weather the storm.

GAUSS

893.00/14877

The Ambassador in China (Gauss) to the Secretary of State

No. 548

CHUNGKING, July 28, 1942.

[Received September 1.]

SIR: I have the honor to enclose, as of possible interest to the Department, a condensed translation of a message⁷⁵ to the Chinese army and people broadcast July 7, 1942 by Generalissimo Chiang Kai-shek. He began this message by recalling that China on that date had for five years been engaged in armed resistance and that during the past year there had occurred developments which would determine the final outcome of the war.

China, the Generalissimo stated, is charged with the duty of operating as the main fighting force on the Asiatic continent. The United States, he continued, has a similar duty to deal in the Pacific with Japan, which he referred to as our first and most threatening enemy. He warned against giving credence to rumors that Allied strategy and policy relegate the Pacific War to a secondary position or that Japan will be allowed to operate freely for the time being.

Chiang Kai-shek is further quoted as stating that reverses inflicted on Japan at Midway Island, in the Coral Sea and at Dutch Harbor as well as other defeats which will follow may be expected to make Japan's position untenable. He concluded, “Irrespective of age or sex we must each contribute to the all-important task which, when completed, will bring victory and permanent security to a free world.”

Respectfully yours,

C. E. GAUSS

124.986/8-342

The Ambassador in China (Gauss) to the Chief of the Division of Far Eastern Affairs (Hamilton)

[Extracts]

CHUNGKING, August 3, 1942.

[Received September 8.]

DEAR HAMILTON: [Here follows section on the health of the Embassy personnel, high costs of medical attention, length of service for officers assigned to Chungking, and the question of leave.]

⁷⁵ Not printed, but see telegram No. 812, July 8, 4 p. m., from the Ambassador in China, p. 102.

Currie is here. I have seen him briefly once or twice, but do not know that he is making much progress. He promises to tell me all before he leaves; but so far I have had only a most sketchy account of his conversations and he does not appear to be very cheerful.

The best military advice that I can get indicates that, come September, we are likely to see activity in the China theater in the form of a Japanese threat against Yunnan. Undoubtedly from Burma; but perhaps also from Indochina and Thailand, and perhaps also from Canton through Kwangsi. "They say" that China is wide open in the Yunnan area. When it is pointed out that our civilian sources of information indicate the presence of a substantial Chinese force disposed to face a threat from Burma, the reply then is that it is not properly disposed for the best results and that there is nothing to prevent a thrust from Indochina or Canton. On the latter situations, I must confess that we have no information to suggest that China is prepared to resist—and it takes months to move troops on foot; that is all that can be done now that gasoline stocks are running out. On the other hand, there is as yet no information to confirm that the Japanese are making concentrations in Indochina for a push up that difficult terrain into Yunnan. And even in the Burma border area, difficult terrain and few roads should make it possible for a comparatively small force of Chinese, properly equipped and well led, to stop the Japanese. A reasonable increase in our air support would also assist. It was the AVG which stopped the Japanese rapid penetration into Yunnan immediately following the Chinese debacle in Burma.

I am not a military man, and perhaps I should not be venturing opinions and comments on what are actually military matters, but I find such divergence of opinion amongst the military men that it has just seemed that as an ordinary civilian the best I can do is to gather what "facts" may be available and form my own conclusions.

Despite all rumors, I do not believe that Chiang can afford to consider peace with the Japanese, and I am convinced that he will not do so. But he has his head in the clouds so much these days that there is always the possibility that in looking over wider fields he may miss the dangers close at home. And, of course, if anything happens, he will gladly blame everything on the failure to receive American aid. The danger spots in my opinion will be found amongst his generals on the periphery—Yen in Shansi, Lung Yun in Yunnan, and Yu Han-mo in the Canton area. Any one of these might make a deal, or break; and if the Japanese once get this opportunity to move in rapidly, Chungking might readily fall. We speculate here at times whether the autumn may not find us all "treking" northwest into Shensi or

Kansu, for we believe that if the government has to flee from Chungking the G-mo⁷⁶ will seek to put himself with his so-called best army under Hu Tsung-nan, now quarantining the Communists in Shensi-Shansi.

Say what they will in their "war communiqués" and official statements of official and military spokesmen, China has done very little fighting since the war broke generally in the Pacific. They "resisted" successfully at Changsha, but did not follow through and avail themselves of the opportunity to inflict a severe defeat on the Japanese. They did send forces into Burma, but they gave a poor account of themselves (as did the British). Several units were exceptionally good; but others were poor, and when the latter broke and fled there came the debacle. Many of us here have wondered why Stilwell did not fly out when he had the opportunity and take up a directing position in the rear instead of mooching through the jungle—not with any body of troops but with refugees, Burmese nurses, etc. But perhaps he knew best. He now has some idea of 3 American divisions to "force" the British to undertake an expedition to retake Burma with American help and to induce China also to come in. I am told that this proposal is not receiving much support at home. That is a matter of high strategy. Stilwell would want supreme command; and I do not believe the British would give it to him. And I wonder how the Chinese feel. Of course a movement to retake Burma and penetrate into Thailand and French Indochina—a movement timed with a movement by MacArthur to "roll them up from Australia" (what a tremendous task), and a movement by our Navy to strike at the outlying Japanese island bases in the south Pacific, might be good strategy. But I gather that the British are determined to "re-take Burma" in their own time and their own way and they give little evidence of being interested in China.

As a layman trying to be rational and realistic, I can see only a reasonable distance ahead. An American military expedition to retake Burma means ships and supplies. Can we spare them; or do we actually have them? Until we do, we should in my opinion make a careful survey of the China situation and determine what aid we can send to China—not what China "wants" but what we decide we can give and what she can use effectively. Then give it—no diverting this or that or the other thing. China has facilities and reserves to support a small air force for 6 months to a year—perhaps not more than 50 medium bombers and 100 pursuits or fighters. Give her that—and support it with replacements, spare parts and personnel. And as a matter of fact, unless Japan ceases her more grandiose expansion expeditions and concentrates on China, I soberly believe that small

⁷⁶ Generalissimo Chiang Kai-shek.

air force—under Chennault, who knows his business—would accomplish wonders. But of course if Japan is not to penetrate toward India, or Australia, or Siberia, or Alaska, or the Hawaiian Islands, then Tokyo may determine to use full force to liquidate the China Incident. If that is done, China will undoubtedly continue the policy of resistance as long as possible—but China would undoubtedly collapse in the face of a strong Japanese effort. Japan has not made that effort in the past. Japan has been conserving her strength for the world war which has now come. China has been a training ground for troops and air force; but since the early years of the Sino-Japanese war, Japan has not made an effort in strength to liquidate the China Incident. Unless Japan is stopped before she turns in full force to that task, China must succumb when the full weight of Japanese pressure is put into this country.

We have had an unusually hot and trying summer this year. No actual air raids—so far, but there are still 3 months ahead. But the heat has been terrific and we are all feeling it. Last year I was fresh enough to remain down on the south bank and attend the chancery daily, and at night to try to sleep in our attic rooms under the hot roof. But we could not hold out this year and I am staying most of the time in an emergency cottage in the hills where the telegrams and despatches come up to me regularly to be worked on and sent down again. I alternate officers and clerks here—to give them a bit of clean air and an occasional light breeze. John Carter [Vincent] comes up every evening—or most every evening. He, too, feels it this summer and even when I remained down on the south bank he sought refuge up here for the nights and a better chance of sleep. I am fairly near the G-mo, Kung⁷⁷ and others who are spending their time in the Hills also. But, since TV⁷⁸ assumed the control in Washington, and we here no longer know what is going on, I have little occasion to see either the G-mo or Kung. I am going over to the G-mo's tonight for dinner. Vincent goes to Kung's frequently for bridge with the 3 Soong sisters⁷⁹ (but there is seldom anything but bridge—and poor bridge at that, I understand). McHugh also goes for bridge from time to time, but since Donald⁸⁰ left Mac does not have his old track in petticoat politics; and as a matter of fact he has repeatedly been told that it is known that he has made unfavorable or critical reports to Washington. I have a feeling that the same feeling is held toward me, but nothing has been said.

This letter, written early Monday morning in the Hills, when my bag of envelopes containing telegrams and despatches has gone down

⁷⁷ H. H. Kung, Chinese Minister of Finance.

⁷⁸ T. V. Soong, Chinese Minister for Foreign Affairs.

⁷⁹ Mesdames Kung, Sun Yat-sen, and Chiang Kai-shek.

⁸⁰ W. H. Donald, Australian former adviser to Generalissimo Chiang.

to the chancery and nothing has yet come, so that I am free, seems to have expanded to a great length. It is rambling; but it may contain news and views that may be of some casual interest.

With all good wishes [etc.]

C. E. GAUSS

[In his reply of September 18, Mr. Hamilton discussed extensively the various personnel problems raised by Ambassador Gauss and made the following comment concerning the other issues: "Your comments in regard to Lend-Lease aid to China, the position of General Stilwell as Chief of Staff, and the extraordinary job which General Chennault has done and is continuing to do are very enlightening. Mr. Currie has returned and we have had a few brief talks with him. John Davies gave us a great deal of information of value."]

740.0011 Pacific War/8-442

*Memorandum of Conversation, by the Second Secretary of Embassy in China (Davies)*⁸¹

[CHUNGKING, August 4, 1942.]

Mr. Currie opened the conversation with a question regarding the course of hostilities in southwestern Russia. The Ambassador discussed the situation in this theater in some detail and admitted that it was very serious.

Mr. Currie then inquired whether in the opinion of the Ambassador the Chinese could be counted upon to continue resistance despite the reverses which the United Nations are currently suffering and continued Japanese pressure on China. The Ambassador replied in the affirmative and the Military Attaché nodded in agreement.

The next question dealt with a possible Chinese-British-American attempt to re-take Burma. In the event of such an effort, Mr. Currie asked, did the Ambassador think that there would be a tendency on the part of the Chinese to hold back and let the British carry the brunt of the fighting? The Ambassador indicated that he thought the Chinese would fight (it was not clear, however, that the Ambassador fully understood the question). The Military Attaché, on the other hand, appeared to understand the question as phrased in English and as Mr. Currie spoke shook his head, seeming to signify that he had misgivings over the likelihood of the Chinese being willing to carry their share of the load.

⁸¹This conversation took place at the Soviet Embassy in Chungking and the following were present: Lauchlin Currie, the Soviet Ambassador, the Soviet Counselor, the Soviet Military Attaché, a Russian interpreter, and Mr. Davies. There is no indication on the file copy as to how it was transmitted to the Department.

Out of this discussion there arose the question of unified command. The Military Attaché was emphatic in the need for centralized authority in any joint campaign.

Mr. Currie asked the Military Attaché if he thought that a foreign military officer could successfully command Chinese troops. The Military Attaché replied with confidence that such an arrangement would not work. A system of advisers, however, could serve a useful purpose. But such a system calls for advisers in all of the various units, from armies and divisions on down. The ranking adviser must have at his disposal his own channel of information from and advice to the smaller units. Asked whether the Chinese were willing to accept advice, the Military Attaché shrugged his shoulders and said that yes they would, usually.

The Military Attaché stated, when asked by Mr. Currie about exchange of information between the Russian and American military officers in Chungking, that there was no close cooperation and that the American officers were not inclined to talk frankly.

JOHN DAVIES

740.0011 Pacific War/2696: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, August 6, 1942.

[Received August 6—10:29 a. m.]

913. Following significant statement by government spokesman on August 4 is quoted in full for Department's information.

"Exactly one month has elapsed since the United States Army Air Forces went into action against the Japanese in the China theater. Its defensive and offensive activities during the first 3 weeks disturbed the enemy so much that he decided during the past week to challenge the American Air Force over Hengyang. This challenge was obviously no feeble attempt, considering both the number and quality of the fighting craft the enemy amassed for this onslaught. But again the enemy was put to rout after suffering heavy losses.

It is the general conviction of the Chinese people that with an increasing American Air Force, the very nature of the war in the China theater will undergo a radical change. For before the American Air Forces appeared on the horizon, the Japanese could do great damage to us even with a small air force. Invariably her tactics was to concentrate that small air force for attacking a particular front or a particular city, since she had little to worry about her own air fields and strongholds in her occupied areas. Now the situation is changing. The American planes having come into action in the China theater, Japan is getting a headache in trying to solve the

hitherto non-existent problem of protecting her air fields and strongholds, which are widely scattered and great in number. She is obliged to throw into the field many more men and machines if she wants to feel reasonably safe.

Thus the entry of the American Air Force into the China theater produces three results, all of which are important. First, Japan's earlier tactics of menacing China with an unchallenged small air force is no longer feasible. Second, the Chinese army will be enabled to achieve better results in immobilizing an increasing number of Japanese troops, because with air support it will be able to engage the latter on any and practically every front. Third, the American Air Force will perform its own work of immobilizing constantly an important portion of the Japanese Air Force in China."

GAUSS

740.0011 Pacific War/2696 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, August 6, 1942—8 p. m.

704. Your 913, 6th. It would be helpful if in your next weekly political report you were to include comment in regard to the reaction on the part of Chinese people in Free China to the recent air activities of the American forces in China.⁸²

HULL

811.20 Defense (M)/8179 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, August 8, 1942—11 p. m.

[Received August 8 [9?]-7:51 a. m.]

921. Your 699, August 5, 4 p. m.⁸³ Both Stilwell and Currie have left for India. Currie mentioned to me that he proposed to make the inquiry of Milo Perkins⁸⁴ contained in my 907, August 4,⁸³ but I was given no confidence by Currie as to his conversations with Stilwell and the Generalissimo. I made telegraphic facilities available to him without questioning his messages.

⁸² In his telegram No. 918, August 7, 11 a. m., Ambassador Gauss reported to the Department: "With reference Embassy's 913 of August 6, conversations with officials and information from provinces indicate that spokesman reflects general appreciation of American air assistance. Chinese appear primarily interested in continuation and increase of this type of aid. Official and press satisfaction over American air activities in China has favorable effect on public morale." (740.0011 Pacific War/2706)

⁸³ *Post*, p. 661.

⁸⁴ Director of Board of Economic Warfare.

I have understood that Stilwell favors an American-British-Chinese expedition under American High Command to retake Burma in order to reopen Burma Road and to supply and energize China theater for air attacks on Japan proper and on Jap communications through Formosan channel; also to strike at Indo-China and Thailand. He has no more than mentioned the subject to me very casually but I learned from others that he was considering making a recommendation to train several Chinese divisions in India where they could be given full equipment from Lend-Lease supplies now there, including field pieces and other relatively heavy arms which cannot be moved into China at this time for lack of transport. There are already several thousand Chinese troops in India who came from Burma. The balance of any Chinese force would have to be sent to India from China by car. I do not know how far, if at all, the matter was discussed with Generalissimo. I have been told that Stilwell went to India with Currie so that they might see Wavell⁸⁵ together.

GAUSS

740.0011 Pacific War/2720 : Telegram

The Chargé in India (Merrell) to the Secretary of State

NEW DELHI, August 12, 1942—11 a. m.

[Received August 12—7:32 a. m.]

596. At the request of Mr. Currie, General Stilwell has ordered Davies to accompany Currie to Washington following which journey Davies is to return promptly to this theater.

MERRELL

740.0011 Pacific War/2803

The Ambassador in China (Gauss) to the Secretary of State

No. 570

CHUNGKING, August 12, 1942.

[Received September 11.]

SIR: I have the honor to enclose copy of a despatch⁸⁶ from Second Secretary of Embassy John Davies, Jr., attached to the American Military Mission, submitting copy of a memorandum prepared by him for Lieutenant General Joseph W. Stilwell appraising the China-Burma-India situation; an appraisal which I assume was desired by General Stilwell in connection with what I understand to be his recommendation, or contemplated recommendation, for a joint American-British-Chinese expedition to retake Burma, strike at the Japanese in

⁸⁵ Gen. Sir Archibald P. Wavell, British Commander in Chief in India.

⁸⁶ Not printed.

French Indo-China and Thailand, and reopen the Burma Road to supply and energize the China theater for air attacks on Japan proper and on Japanese lines of communication and supply to the south.

General Stilwell has casually mentioned, but not discussed his plans with me. I am told, however, that his proposals would contemplate the training and equipment in India—where American lend-lease materiel and equipment intended for China are now available but cannot be moved into China for lack of sufficient air transport—of several Chinese divisions which, with a number of British divisions, and perhaps three American divisions, as an American “token” force, with appropriate air and other support, should constitute an expeditionary force under American high command, to retake Burma. There are already several thousand Chinese troops in India or Assam, being part of the Chinese force that escaped from Burma.

Mr. Davies’ memorandum suggests that the British have no intention of attempting to retake Burma in the foreseeable future for the same reason displayed in the lack of interest in an aggressive defense of Burma, that is, the conviction that no Asiatic possession is worth any appreciable diversion of strength from the British Isles; that the war will be won in Europe; and that at the peace conference lost possessions will revert to Britain with clear title. The memorandum asserts—with what authority, I do not know—that there are adequate British forces in India for an expedition to retake Burma. The memorandum fails to consider the situation in the Middle East as it threatens the security of India, nor does it consider the internal situation in India and its relation to any decision to send British troops—principally Indians—on an expedition to Burma. It seems to me that another important factor in any Burma campaign would be the question of the proposed future status of Burma, the decision on which might affect the attitude of the Burmese toward the proposed expedition into their country.

In examining the China situation, Mr. Davies asserts that it is China’s policy to conserve rather than to expend Chinese military strength, China’s confidence being placed in American sea and air power—and perhaps Russian military and air strength—to defeat the Japanese. Mr. Davies suggests, however, that China might be persuaded to join in a second Burma campaign; an opinion in which I concur, although it is known that at the time that Generalissimo Chiang ordered the participation of Chinese forces in the defense of Burma there were those among his military advisers who strongly urged against the sending of more than a “token” force to the Burma front.

The proposed Stilwell expedition against Burma, however—if it has actually been recommended; a point on which I have no positive in-

formation—would, in my opinion, require substantial naval and air support, and, it seems to me, should be undertaken only as a carefully synchronized measure in a grand strategy for a general offensive against Japan—from Australia, by sea against Japan's outlying naval and air bases in the Pacific, by overwhelming naval force against Japan proper, and by aerial attack from Siberian or any other available bases.

Major operations against Japan on such a scale could not likely be undertaken until the fortunes of the United Nations in the European theater permit of the necessary diversion of man power, aerial force, naval strength, and shipping, materiel and supplies in sufficient volume to the Pacific area.

Meanwhile, as to the China front, earnest consideration should be given to extending such practical, substantial aid to China as may be possible to permit China to continue to maintain resistance to Japan and to contain the Japanese force now in this country. It has been demonstrated that even limited American air support—that is, planes and American personnel—can be of vital and substantial assistance to China in aid to the Chinese ground forces, in attacking Japanese air and other bases and shipping and lines of supply and communication, and in sustaining and improving Chinese morale. I am of the opinion that the present very limited air support—more restricted than intended due to the diversion of planes and personnel to the Middle East—should be increased to the point possible with existing Chinese air bases, reserve supplies of aviation gasoline, bombs, et cetera (and their replenishment by reasonable air transport facilities). The American air force in China, under the command of Brigadier General Claire Chennault, who formerly headed the American Volunteer Group of the Chinese Air Force, has demonstrated what can be done with so little under the conditions existing in this theater of the war by an efficient and experienced officer who has made long observation of Japanese aerial tactics and has shown courage, resource and sound judgment in actual combat operations.

The American Army Air Force in China should be increased and maintained and supported, within the limits of the available facilities in China, as the one real and substantial contribution that we can make to China at the present stage of the war. A substantial air transport supply service will be required to maintain this force alone. This service should be provided and extended as rapidly as possible to permit of regular supplies of essential raw materials for the continued necessary operation of China's small arms arsenals and ammunition factories.

Respectfully yours,

C. E. GAUSS

[Enclosure]

Memorandum by the Second Secretary of Embassy in China (Davies)

THE CHINA-BURMA-INDIA THEATER—A REAPPRAISAL

In any appraisal of the China-Burma-India theater the following factors should be kept in mind :

(1) The objectives of the Chinese Government are (a) to insure its own perpetuation and domestic supremacy and (b) to come to the peace table as militarily powerful as possible.

(2) The policy of the Chinese Government is therefore to conserve rather than to expend its military strength, counting on American air and sea power and possibly the Russian Army and Air Force to defeat the Japanese.

(3) It may be possible to induce the Chinese High Command to assume the offensive only if it is persuaded that its expenditure of military equipment will immediately be replaced, and with interest.

(4) It follows that the transfer of lend-lease supplies to China without any *quid pro quo* demands will result in the supplies being hoarded and not in their use against the Japanese, as is the intent of lend-lease legislation.

(5) For the same reason that they displayed no interest in an aggressive defense of Burma, the British appear to have no intention of attempting to retake Burma in the foreseeable future. That reason would seem to be a British conviction that no Asiatic possession is worth any appreciable diversion of strength from the British Isles; that the war will be won in Europe; and that lost possessions will at the peace conference revert with clear title to the British if those colonies remain up to the termination of hostilities under enemy occupation, whereas if those possessions are reoccupied with Chinese and American assistance British title may be compromised.

(6) While activation of the Chinese will require a combination of generous inducement and firm insistence upon Chinese fulfillment of their side of the bargain, the galvanization of the British into a counter-offensive against Burma can probably be accomplished only by pressure from the highest American source on London together with the commitment of a token American force to the reconquest of Burma, which commitment may be expected to force British parallel action. There are enough British Empire troops in India for the job.

(7) The reconquest of Burma is a prerequisite to (a) the fullest utilization (through the reopening of the Burma Road) of China as a base from which to inflict injury on Japan where Japan is most critically vulnerable, or (b) the opening of a second front in south-eastern Asia (Thailand and Indochina).

(8) The recent Burma campaign demonstrated the absolute necessity of effective central command in any combined military action in this theater. Both Chinese and British generalship in this theater has been utterly incompetent and lacking in offensive spirit. If an attempt is to be made to retake Burma and open a second front, supreme command must be in American hands, and it must be made effective.

(9) The principal factor limiting American action, present and potential, in China, Burma and India is a logistic one. Always when planning there must be kept in mind the 12,000 miles of sea supply lines to India, the inefficient overloaded railways across India, the Japanese submarines in the Bay of Bengal, the trickle of supplies by air transport from Assam into China, and the problem of motor fuel which increases by geometric progression each stage that it is removed eastward from Kunming. The limitation of the long sea supply line cannot be eradicated. But the recapture of Rangoon and the Andaman and Nicobar Islands would go far toward eliminating the other restricting factors.

So much for a few of the basic factors to be kept in mind. It may be useful at this point to proceed to general comment and an examination of some of the courses of action open to us.

Considering the disposition of Japanese military strength and China's geographic position in relation to that disposition and considering the possibility of putting into action the currently idle Chinese and British military strength, the conclusion is borne home that probably nowhere in this war can we do so much with so little as in the China-Burma-India theater. Realistic American diplomatic bargaining and pressure plus American military commitments (the extent of which would be scarcely noticeable in the Western European or Russian theaters) can launch a train of action in this theater promising a maximum return for a minimum investment.

The cheapest effort we could make would be to confine ourselves to the operation of a relatively small air force from existing bases in free China. This would not involve an attempt to retake Burma. The supplying of this force would be accomplished by air transport from northeastern India. Because of this logistic limitation, it would probably be impossible to maintain long-range four engine bombers as part of the force. Medium bombers and pursuits would have to do the job. Within their range of operations in occupied China are many Japanese installations, much Japanese shipping and aviation and tremendous quantities of Japanese supplies, all of which are already being reduced with conspicuous success by the pitifully small American Army air force now in China. Yet this is not going to defeat Japan.

If Burma is retaken, the port of Rangoon made accessible to American shipping and the Burma Road reopened, our increased effort can be concentrated on intensifying and expanding the activities of the American air force in China to include long-range bombardment of industrial Japan and Japanese shipping in the Formosan straits and the South China Sea. Sustained bombing of these two objectives will do more toward defeating Japan than any other single operation. It is attacking the roots and trunk of the thorn tree rather than the outer branches and brambles. Furthermore, such an operation will tend to draw Japanese strength back toward Japan and Formosa and so reduce the threat to India and Siberia. If our plan is to concentrate on the China theater, American ground forces committed to the retaking of Burma might logically be used in the protection of advance American bases in East China.

A third choice also envisages the reoccupation of Burma and the reopening of Rangoon and the Burma Road. But instead of concentrating our efforts on air operations against Japan and the Japanese lifeline southward, we would, leaning *heavily* on the manpower of our allies, undertake an offensive southeastward from China and Burma. The land offensive would be supported by naval action in the southwest Pacific. These coordinated operations would be designed to cut into Japan's southern salient, so vulnerable from the west, and to reduce the Japanese threat to Siberia or, if Japan has by the time this second front is opened attacked the Soviet Union, to relieve the Russians by diverting and dispersing Japanese strength southward.

JOHN DAVIES

CHUNGKING, July 31, 1942.

811.248/686 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, August 13, 1942—1 p.m.

[Received 3:09 p.m.]

936. Naval Attaché's telegram 110541, August 11, to Navy Department⁸⁷ regarding United States Air Force in China carried notation of my request that contents of message be communicated to State Department.

Chinese have been critical of our failures to give them military aid while substantial American support flows or is diverted to other theatres of the war. This criticism has been partially offset by remarkable record made by our small air force in China which has favorably

⁸⁷ For summary, see memorandum of August 18 from Capt. A. D. Struble, p. 139.

affected Chinese morale, military and civilian. I am concerned over political repercussions and effect on Chinese morale which would result from decrease or cessation of American air activity in China due to our failure to provide support and replacements and speedily to reinforce present small air strength now here.

There has been a tendency (1) to endeavor to justify American air operations in China solely on grounds of their preventing a collapse of Chinese resistance, and (2) more recently to integrate an American Air Force in China with plans for retaking Burma and thus to justify its existence in relation to those plans. Without underestimating the importance of our support in bolstering Chinese morale and in making effective Chinese resistance or importance of retaking Burma (plans for which seem to be premature and impractical in present circumstances), I believe that an American air force has a distinct offensive mission in China quite independent of considerations mentioned above; that it has a positive self-justifying contribution to make in the general offensive against Japan. It does not appear to me that so few planes can be so effectively employed in any other theater of the war. Chennault's operations during past months seem to me to have demonstrated this. Not only can he continue with a proper force (1) to give effective aid to Chinese ground forces in offering resistance to what we may expect to be an increasing Japanese pressure, and (2) to contain in China and inflict substantial losses on Japanese air units which otherwise could be diverted to areas in which American forces may be operating, but they should be able, given proper support, (3) to attack Japanese supply routes from Japan southward thus assisting in our operations in South Pacific area, and (4) eventually to carry out raids on Japan from Chinese bases as such bases are retaken.

I consider foregoing a conservative estimate of potentialities of an American air force in China and, therefore, recommend that the most earnest consideration be given to establishing and supporting such a force here.

GAUSS

701.9311/817

*Memorandum by the Adviser on Political Relations (Hornbeck)
of a Conversation With the Counselor of the Chinese Embassy
(Liu Chieh)*

[WASHINGTON,] August 17, 1942.

Yesterday (Sunday) afternoon the Counselor of the Chinese Embassy called on me at his request. The Counselor stated that he was bringing "bad news". He said that the Embassy had received from

Chungking a telegram stating that the present Chinese Ambassador to this country is recalled and is to be replaced by Dr. Wei Tao-ming. The Counselor continued, saying that the Ambassador is out of town, the Minister for Foreign Affairs (Dr. Soong) is out of town, he, Dr. Liu, had telephoned to the Ambassador, and the Ambassador had asked that he inform me of the message. Continuing, Dr. Liu said that this message from Chungking would be followed within two or three days by an instruction to the Embassy to inform the American Government officially and to ask for an *agrément*.⁸⁸

There followed some conversation in the course of which I asked Dr. Liu whether he would feel free to tell me whether Dr. Soong was in any way responsible for this action on the part of the Chinese Government. Dr. Liu replied that he was confident that Dr. Soong had nothing to do with it either as to initiative or as to being consulted. He said that Dr. Soong has been well satisfied with the existing set-up wherein both the Minister for Foreign Affairs and the Ambassador are in Washington, each representing China but operating more or less in separate fields and cooperating effectively without crossing wires. He said that the Ambassador has extraordinary qualifications for understanding this country as well as China and for interpreting this country to his own Government and interpreting China to this country. The Ambassador, he said, has constantly sent to his Government thoughtful and carefully prepared messages dealing with fundamentals in the world situation and explaining the workings of the American democracy and the difficulties which have attended the evolution of our policy and action in relation to the war and the United Nations' military effort. The Ambassador has also interpreted and explained many things to Dr. Soong and has been very helpful in counseling exercise of patience and pointing out errors to be avoided. On not a few occasions, the Ambassador's messages to Chungking have evoked expressions of impatience from Chungking; but the Ambassador has always tried all the harder to cause Chungking to look at the world picture in its entirety and to understand the difficulties which confront the American Government and the considerations which determine its action. The Chinese Government, Dr. Liu said, is confronted with many and great difficulties, and it naturally is impatient of delays, feels keenly its desperate needs, and becomes provoked at its representatives because they do not seem to get the results for which it hopes. Of late, he said, the Chinese Government has been critical even of its new Foreign Minister (Dr. Soong) because materials expected from the allies do not reach China.

⁸⁸ Ambassador Hu Shih on August 20 presented a note announcing his recall and asking for an *agrément* for the appointment of his successor, Wei Tao-ming. On August 31 the Acting Secretary of State replied, by direction of President Roosevelt, expressing regret at Mr. Hu's recall and agreeing to Mr. Wei's appointment (701.9311/819).

Dr. Liu made no mention of India. I inferred from this that the message which the Ambassador had received from Chungking made no mention of the India question. I deliberately refrained from trying to draw Dr. Liu out on the subject of the Chinese Government's reasons for the action which it was taking.

Dr. Liu indicated, though he did not say so expressly, that he felt that withdrawal of Dr. Hu Shih at this time would have a most unfortunate effect—both as regarded Chinese interests and as regarded American interests. I inquired whether there was anything that the Embassy or the Minister for Foreign Affairs or certain prominent Chinese in this country could do toward causing the matter to be reconsidered. I said that the matter was one in which I did not see how the American Government could in any way intrude. Dr. Liu said that he doubted whether there was anything that could be done: the decision had apparently been made by highest authority in Chungking; the naming of a successor implied that the decision was final and not to be questioned. Dr. Liu doubted whether anything could be done by anybody.

I then asked Dr. Liu to tell me what he could about the named successor. Dr. Liu said that Dr. Wei Tao-ming had been educated in France or under French influence; that he became active in China politics; while still comparatively young he became Minister of Justice, that having been about ten years ago; that about a year ago he came to this country en route to France where he was to be China's Ambassador, but was stopped because the Vichy Government preferred not to receive at that time a new Ambassador from China; that he has been in this country ever since; that he has a house in Washington; that he has with him some of the members of the staff which he was taking to France; and that he is married to Dr. Soumay Tcheng (who has been a prominent figure in Chinese political and legal circles); and that he does not have any intimate knowledge of the United States and is not as proficient in the use of the English language as he is in use of the French.

I asked Dr. Liu whether he thought there would be anything to be gained from a possible conversation between an officer of the Department and the Chinese Minister for Foreign Affairs. Dr. Liu said that he did not think so and repeated that he thought the decision had been made irrevocably in Chungking.

I asked whether the present Ambassador would be expected to return to Chungking. Dr. Liu replied that he might or he might not, and that in any case he probably would not leave the United States immediately.

I inquired when would Dr. Soong return to Washington. Dr. Liu said that he was expected on Monday evening (today).

S[TANLEY] K. H[ORNBECK]

701.9311/817

*Memorandum by the Adviser on Political Relations (Hornbeck)*⁸⁹

[WASHINGTON,] August 17, 1942.

In connection with the information which we have been given that the present Chinese Ambassador to this country has been recalled by his Government, I make certain surmises and I venture comments, as follows:

The decision has been made by Chiang Kai-shek. The decision is a "political" decision. It arises out of disappointment and impatience on Chiang's part. Chiang has been carrying a terrific political and military burden for more than 15 years. Beginning in 1925, he first organized and led an army which marched, fought and won battles all the way from Canton to Peking. He ousted the Peking Government and set up the "National Government" in a new capital, at Nanking. He met with political opposition from several foreign powers and from various war lords in China. He won a number of important diplomatic victories; he defeated some war lords; he expelled the communists from the Kuomintang; he fought the communists on battlefields; he foresaw an attack by Japan on China and he made military preparations for resisting that attack; he had to restrain powerful elements among his own people who would have brought on war prematurely; he had to decide in 1937 whether to resist the Japanese invasion or to make terms; he chose to resist; he maneuvered the Japanese into fighting in central China rather than limiting their efforts to the north; he has held China together during five years of defensive fighting; he believes, rightly or wrongly, that by containing Japanese forces he has given Great Britain and the United States invaluable assistance in terms of time for them to prepare for their own resistance against Japan; he feels, rightly or wrongly, that China is an important unit in the United Nations military effort in a global war; he has been promised in large terms and repeatedly, generous assistance, especially of materials, from his allies; he has seen assistance sent to each of several other theaters in amounts infinitely larger than the amount sent to China; he feels, rightly or wrongly, that the strategy which his allies are following in world operations is making things more difficult rather than less difficult for China; he feels, rightly or wrongly, that China's voice in allied strategy councils is given little consideration; he even entertains doubts regarding the quality of the strategy and the capacity of his allies in practical application to the problem of defeating Germany and defeating Japan; he is a hard pressed and a tired leader. To him, the situation which exists, most of all China's situation, is the important and immediate problem; not

⁸⁹ Submitted to the Secretary of State.

the explanations and the reasons which lie under and behind the situation. To him, the situation as regards assistance from his allies is a situation in which the allies *do* not rather than one in which they *can* not. He has his representatives in the United States. These representatives do not succeed in getting from the United States the aid which he asks. The United States does not produce the aid which he asks. He therefore is impatient both of his representatives and of the United States. He has pled, he has argued, he has done everything but make threats; and he has allowed some members of his entourage (for instance, Sun Fo) to utter suggestions which amount to threats (in terms of the possibility that China might have to cease her active resistance to Japan). He now withdraws an Ambassador. This he does in expression of his exasperation: exasperation because the Ambassador has not achieved what his Government wants; exasperation because the American Government has not cooperated with China to the extent to which he feels that it should. (The replacing of Hu Shih, a capable and popular representative of China, is a gesture with inescapable political significance.)

The important thing about all this, to us, is not whether Chiang is being unreasonable or what may be said in condemnation or in justification of his action. The important thing is that this is another indication of a trend among the political currents in the Far East, especially in China. Until the end of 1941, the peoples of the Far East, whether they liked us (and the British) or not, had great respect for us and felt confidence in us. Events in the Far East—to say nothing of those in Europe—during the past eight months have greatly diminished their respect for and weakened their confidence in us. For a long time before December 1941, Chiang Kai-shek had been telling his people that they must depend upon themselves and fight their own battle. He hoped, however, that the day would come when he would receive substantial assistance from other countries that were imperiled by and were opposed to the aggression of Japan and Japan's European allies. During the past eight months he has had many assurances that such aid would be given him. He has witnessed, however, steady progress by Japan, repeated defeats of American and British armed forces, encirclement of his own country, closing of his lines of communication with the outside world, and failure of aid in any considerable amounts to reach him. He has reason for doubts regarding the intention and the capacities of his allies as regards his country and the Far East in general. He has asked us over and over for comparatively modest amounts of war materials; he has been promised that he shall have specified modest amounts; he has seen the deliveries fall far below the amounts promised; he has heard the reasons given in explanation of non-deliveries;

he does not accept the explanations at face value, he regards them rather as excuses; he knows that certain of our representatives in China and in India have reported that his armies and his soldiers are not and cannot be valuable assets in the allied military effort; he knows that in military councils in Washington and in London the majority of the conferees are preoccupied primarily with considerations of occidental security and that there still prevails the centuries-old concept of occidental superiority in practically all things relating to capacity and importance; there is being driven home to him the thought that West is still West and East is still East, that occidentals still tend to flock together; he wonders inevitably whether orientals should not, whether they like it that way or not, flock together; he has among his associates some men who have contended consistently that China ought not be fighting Japan; he knows that China cannot win against Japan unless she is given substantial assistance from the countries which have given her moral support, which now are her allies, but which, for whatever may be the reasons, fail to give her military support; he has warrant, not for entertaining the idea of making peace with Japan (which he has not entertained), but for seriously considering discontinuance of active military assistance [*resistance?*] to Japan.

During recent weeks, American air forces in China have been making an interesting and effective showing. They have bombed various Japanese positions in China and they have destroyed a considerable number of Japanese planes. In the bombings, no small part of the property destroyed and of the persons killed or injured have been Chinese. The Chinese do not mind that, so long as these American operations are extensively damaging to the Japanese. But, one immediate effect of these operations has been the bringing on of new air operations by the Japanese. In those operations, it also is for the most part Chinese property and Chinese persons that are damaged. This, too, the Chinese do not, for the moment, mind. However, these developments create an obligation and a risk. We have "started something"; it becomes our obligation to keep the thing up and see it through. We have started something; we have created a risk that if we do not keep the thing up and see it through the damage to the Chinese which our operations entail will prove to have been damage without offsetting benefit. The current operations of our air forces in China are "all to the good" provided they be projected into the future, be sustained, be increased. If that condition is not met, the present Chinese approval and appreciation of this effort will evaporate, we will be discredited, China's confidence in her allies will be further impaired, and China's whole attitude toward the United Nations' war effort will tend to become "sour." By our launching of

operations in China by U.S. armed forces, we have put ourselves in a position where it becomes of utmost importance that we maintain and extend the scope of those operations.

The United States has had a great deal to do during the period since the late months of 1938 with the fact that China's resistance has continued. We have given China moral encouragement, financial assistance, some materials of war, and a great many promises. Presumably we have done this for the safeguarding and promotion of our own interests. During the past eight months those interests have obviously become broadened into and merged with the United Nations' interests. Presumably it is desirable that China be kept in the war and remain an active belligerent. This country alone is in position to make the decisions and to take the action which will in major part influence the course of events as regards China's remaining or China's ceasing to be an active belligerent.

The reasoning and the decisions appropriately involved in dealing with this question are political rather than military. In simplest terms, the question is one of strategy in the field of distribution of war materials. But the political considerations which are an element in this particular problem are of greater importance than are the military considerations. The strategical problem is [primarily]¹ that of keeping China in the war, not [rather than]¹ that of placing a certain minimum [small]¹ [amount?] of military materials at a point where they will necessarily have the greatest immediate military effect.

We have been confronted with problems similar to this at other moments and in regard to other theaters. Was not the decision to send large forces into the south Pacific and to make Australia a base for operations against Japan a decision based primarily on political rather than on military considerations? Was not the strategic problem immediately dealt with primarily that of defending Australia rather than that of defeating Japan?

Should we not look at the problem of aid to China as primarily a political problem and secondarily, for the present, a military problem? Is not what has happened simply this: our President has viewed the thing in its proper light; the President has considered it important that military supplies go from this country to China; he has declared publicly, and he has declared to Chiang Kai-shek in private messages, that such supplies shall go; and thereafter, various of the operating agencies of the Government have taken the matter in hand and, generally speaking, have found one reason after another in impediment or prevention of the carrying out of the declared policy?

¹ Bracketed revision made by Mr. Hornbeck on another copy (740.0011 Pacific War/9-2242).

The question which immediately confronts us is whether (a) the policy of the President is to be carried out, supplies to be delivered to China, and China to be kept in the war as an active belligerent or (b) the operating agencies of the Government are to substitute, in effect, a policy (positive or negative) contrary to the policy which the President has declared, supplies in large amounts to be sent to many other theaters, merely a trickle of supplies to be sent to China, and China thus to be permitted or even encouraged to cease to be an active belligerent.

China can be kept in this war at a comparatively small cost. China can be made a base of operations from which Japan can be greatly damaged, at comparatively small cost. China and the whole Far East can be lost as effective allies and, if lost, can be turned against the Occident—in absence of and for want of a little more of effort on our part to convince the Chinese that we mean what we say when we praise China for the fight she has made against Japan, when we laud her as an ally, and when we promise to send her aid.

S[TANLEY] K. H[ORNBECK]

740.0011 Pacific War/2756

*Memorandum by the Director of the Central Division, Office of the Chief of Naval Operations (Struble)*²

WASHINGTON, August 18, 1942.

Memorandum for the State Department [:]

The American Ambassador at Chungking has requested that the contents of the following message from the Naval Observer there be communicated to the State Department:

Heavy casualties have been inflicted by air attacks in Central and South China on Japanese bases and on their air force which they had augmented to meet these attacks. Chennault, with orders which required him to defend only Kunming-Chungking and the ferry route to India, took personal responsibility to demonstrate the possibilities open to a limited United States air force in the area if assured a steady supply of ships, personnel, and spare parts. The attacks were carried out with the small force of six bombers and 40 fighters. Chennault has been informed that at present there are no spares in India, no replacements enroute, and no prospects of any. On this account he will have to abandon in the near future advanced bases at Hengyang, Kweilin and Nanking [*Nanning*] and will thereby give up the initiative to the Japanese. In addition to the serious effect such an action

² Capt. A. D. Struble, U. S. N., member of the Joint (Army-Navy) Economy Board.

will have on Chinese morale it will also permit the Japanese to use all their aircraft in other areas. There remains the probability of attacks on the ferry route by the Japanese next month and the possibility of an invasion of Yunnan and additional pressure on other fronts. Chennault has shown fully his ability to forestall these possibilities and he guarantees to do so if provided minimum force with constant supply of replacements for same. It is estimated that 50 bombers and 100 fighters can be supplied with required gas, spare parts and bombs by 60 C-53 transports. On August 10 the planes available were, 8 P-40's at Chungking, 10 P-40's at Kunming, 14 P-40's at Front Line, and 5 bombers in entire area.

A. D. STRUBLE

*President Roosevelt to Generalissimo Chiang Kai-shek*³

WASHINGTON, August 21, 1942.

MY DEAR GENERALISSIMO: I am asking Mr. Wendell Willkie to make every effort to visit you in Chungking on his return to the United States from Moscow.

As you know, Mr. Willkie was the candidate against me in the 1940 elections and as such is the titular leader of the opposition. He has given unstinted support to the Government in its foreign policy and in the conduct of the war, and has helped to create the excellent state of unity which exists today.

I particularly want him to meet you and your good wife, for I know that much good will come therefrom. I want him to realize your many and great problems and to tell you something of our problems as well.

I do hope that Madame Chiang will soon be able to come to the United States. Mrs. Roosevelt and I eagerly await her arrival.

Always sincerely,

[FRANKLIN D. ROOSEVELT]

740.0011 Pacific War/2751 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, August 21, 1942—9 a. m.

[Received August 22—1 a. m.]

958. During past week Chinese have recaptured Hengfeng and Yiyang, two railway towns in eastern Kiangsi and claim that a 100-kilometer section of the railway is in their hands. Wenchow in

³ Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

Chekiang was recaptured on August 15 and the repulse of Japanese advances from Kiangshan stabilized the situation in southern Chekiang, according to reports. There is no information of military activity in other sections of China. The American Air Force has reported no engagements this week.

Indian situation is cause of concern and private criticism of British on the part of Chinese officials. While admitting that circumstances may have allowed no alternative to the action taken by the Indian Government they feel that British are primarily responsible for those circumstances.

Hope is still expressed that a satisfactory solution may be found.

Official reaction to Stalin-Churchill meeting favorable [but?] officials evincing growing concern over the Russian war front [as?] they are becoming conscious of vital relation between success or failure of Russian fight against the Germans and their own fight against the Japanese. One Cabinet minister expressed the opinion that Russia should be aided now in every way or place possible and with all the military matériel [apparent omission] Russia in order to prevent further and costly modification of territory in the Caucasus which might prove disastrous to the whole Allied war effort.

Reports of the Solomon Islands [fighting?] continue to be received with interest and satisfaction.

GAUSS

032 Willkie, Wendell/44a : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Standley)*

WASHINGTON, August 24, 1942—9 p. m.

406. 1. Wendell Willkie, accompanied by Joseph Barnes and Gardner Cowles, both of the Office of War Information, is proceeding immediately by air to the Middle East, Soviet Union and China on a special mission representing the President of the United States. The Soviet Government has been informed of the trip through Litvinoff.⁴ Mr. Willkie will carry letters addressed to Stalin and Chiang Kai-Shek⁵ from the President.

2. Mr. Willkie and party will make the trip in a Consolidated C-87 type United States Army transport piloted by Major Richard T. Kight accompanied by a crew of eight officers and enlisted men.

3. They are expected to reach Tehran about September 9. Please arrange with the Soviet Government to send a Soviet co-pilot, navigator and radio operator to Tehran for the purpose of accompanying Mr. Willkie to Kuibyshev and Moscow.

⁴ Maxim Litvinoff, Soviet Ambassador in the United States.

⁵ For letter to Generalissimo Chiang on August 21, see p. 140.

4. It is particularly desired that Mr. Willkie should proceed from the Soviet Union to Chungking without transiting India. In this connection please ascertain whether the Soviet Government is prepared to extend the required permission for such a flight through Central Asia and whether the necessary facilities for refueling en route are available.

5. The President has indicated that he desires the return flight to the United States to be made by way of Siberia and Alaska. Please endeavor therefore to make appropriate arrangements with the Soviet Government to permit the return of the aircraft and party from Chungking into Soviet territory and their transit through Siberia to Alaska.

6. The Soviet Government will undoubtedly wish to make provision for Soviet flight personnel to accompany the flight through Soviet territory. Mr. Willkie on his part has asked that the Soviet Government be informed that he wishes to put himself entirely at its disposal with respect to the routes to be followed in the course of his travel in Soviet territory.

7. Please keep the Department and Chungking fully and currently informed of all matters pertaining to Mr. Willkie's travel to the Soviet Union and China.

Repeated to Chungking in Department's no. 762 of August 24, 9 p. m.

HULL

032 Willkie, Wendell/45b : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, August 24, 1942—10 p. m.

763. Reference Department's 762, August 24, 9 p. m.⁶ in regard to Mr. Willkie's itinerary. Although we assume that the Chinese Minister for Foreign Affairs or the Chinese Embassy has apprised the Chinese Government of Mr. Willkie's scheduled visit to Chungking it is desired that you inform Chiang Kai-shek personally of Mr. Willkie's proposed visit to Chungking and request that appropriate assistance and courtesies be extended by the Chinese authorities to Mr. Willkie during his stay in China including such arrangements as may be necessary in connection with his travel.

The Department desires that you keep it informed of such arrangements for Mr. Willkie's visit as are made in China.

HULL

⁶ See last paragraph of telegram No. 406, *supra*.

741.933/100

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

No. 5005

LONDON, August 25, 1942.

[Received September 2.]

SIR: I have the honor to refer to the Department's strictly confidential instruction No. 1538 of July 1,⁷ transmitting a strictly confidential memorandum entitled "China's War Potential: Estimate". In accordance with the suggestion contained therein, we left a copy of the memorandum in confidence with Mr. Ashley Clarke. He expressed his appreciation therefor and his keen interest in the contents. In due course he wrote us a personal letter, a copy of which is enclosed for the Department's information. Subsequently we took occasion to call on Mr. Ashley Clarke and to talk over both the Department's memorandum and his reply. He emphasized the general identity of views of himself and his associates with the conclusions of the memorandum, remarking that the points he has raised in the enclosed letter are, in general, minor ones.

With reference to the third paragraph of his letter, we asked whether he did not feel that the establishment of a continuous railway link from Manchuria to Singapore, with the exception of short stretches in Indo-China and Thailand, could constitute a probable immediate military advantage to Japan in the event of a Chinese collapse. This he conceded. We also inquired whether he did not feel that such a collapse would in fact release a considerable number of Japanese troops for service elsewhere. While agreeing that it would eventually, he thought that much would depend upon the form of the collapse and whether guerrilla warfare would continue as factors determining the number of troops Japan could immediately withdraw. He also agreed that Japan would probably obtain greater access to a large supply of labor and certain strategic raw materials. He went on to say that as far as the immediate effects, however, of a Chinese collapse were concerned, he felt that their principal importance would be psychological or political (along the lines indicated in the Department's memorandum), their economic second, and the military third. At a later period, he believed, the relative importance to Japan of the military and economic aspects of a Chinese collapse would increase. The difference in the British and American points of view, therefore, is largely one of degree or emphasis, and the British fully concur with us that from every point of view a Chinese collapse would constitute a major set-back. Personally, it is his feeling that Chiang Kai-shek will never make peace with Japan and that

⁷ See footnote 38, p. 71.

such a development could only take place if the Generalissimo were, in one form or another, eliminated.

As the Department is aware, the British are always sensitive on the question of the independence of Tibet, which accounts for the mention of that territory in Ashley Clarke's letter; but he did not appear to take the reference to that territory as "lumped with China" (Department's memorandum—paragraph 1) too seriously.⁸

Respectfully yours,

For the Ambassador:
H. FREEMAN MATTHEWS
Counselor of Embassy

[Enclosure]

The Head of the Far Eastern Department of the British Foreign Office (Ashley Clarke) to the Counselor of the American Embassy in the United Kingdom (Matthews)

No. F 5112/5112/10

[LONDON,] August 7, 1942.

MY DEAR MATTHEWS: A little while ago you left with me informally a copy of a memorandum prepared in the Department of State on China's war potential which the Department had kindly agreed that we should see.

When I was in Washington I raised this very question with Mr. Hornbeck and Mr. Hamilton. In the grave situation created by the cutting of the last main route connecting China with her allies, it seemed to me that a review of where we all stood as a result was a necessary preliminary to considering what remedial action was most needed. In other words, we here are only concerned with what would happen if China fell out in order to decide what you and we could do to keep her in.

The paper which you gave me answers my enquiry admirably and we have read it with the greatest interest. May I say at once that we are in close agreement with its general conclusions? While we are doubtful as to the material benefits which Japan would immediately derive and still more doubtful whether Japan could maintain herself as a continental power after ceasing to be a naval power, we hold the view that the collapse of China would prolong the war by removing a potential base for striking at Japan, by the extent to which it would relieve the strain on Japanese resources, by the adverse psychological effect it would have on all of us and by the encouragement which it would give to our enemies. For these reasons (and there are others) we share the anxiety of the authors of the memorandum to help in

⁸ For further correspondence on this subject, see pp. 624 ff.

maintaining Chinese resistance and we spend much time thinking how best this can be achieved.

There are of course a few points in the memorandum which we ourselves might perhaps have expressed differently. I was surprised for example to see Tibet lumped in as part of the territory of China. In point of fact the Tibetans not only claim to be but actually are an independent people, and they have in recent years fought successfully to maintain their freedom against Chinese attempts at domination. Their distinct racial, political, religious and linguistic characteristics would seem to entitle them, therefore, to the benefits of Chapter IV paragraph 2 of the memorandum.

I should have thought that there were no advantages at all to be gained if China were to cease resistance to Japan (see pages 13 and 14) ! Nor can I imagine that any of the United Nations entertain even a thought of problematical advantages to be gained by the absence of China from the Peace Conference. Finally, I wonder whether the implication of page 17 (probably quite unconscious) that no nation except the United States has been actuated by high motives in its dealings with China is not rather sweeping? So far as we are concerned, for instance, the opium wars are a long way behind us: and the abandonment of the Japanese Alliance at the Washington Conference,⁹ whatever else it may have been, was not an act of imperialism !

But these lesser points do not obscure the moral of the tale, which is that China has made and is making—within the limitations now imposed by her isolation—a real contribution to the united war effort and deserves that we should bend our energies to supporting her.

Yours sincerely,

ASHLEY CLARKE

P. S. If you like we could have a talk about all this. H. A. C.

811.248/686 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, August 27, 1942—11 p. m.

775. Your 936, August 13, 1 p. m. The Department has found your telegram under reference most helpful. The Department transmitted the substance to the War Department and the War Department has stated that the views expressed by you in regard to the potentialities of an American air force in China coincide with the views held by that Department.

HULL

⁹ See *Foreign Relations*, 1922, vol. I, pp. 1 ff.

740.0011 Pacific War/2777: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, August 29, 1942—10 a. m.

[Received 5:17 p. m.]

982. Southern Chekiang is now free of Japanese troops and Chinese are reoccupying positions as Japanese withdraw to north. Chinese reoccupation of Chuhsien is anticipated momentarily and Japanese abandonment of Kinhua and Lanki is not unlikely. It would appear that the Japanese plan to withdraw to the position they held in the Hangchow area prior to the initiation of the present campaign in May. Chinese report that about 60,000 Japanese troops participating in the Chekiang campaign have been transferred back to North China stations. It is understood that only one Japanese division is engaged now in Chekiang.

Along Chekiang-Kiangsi railway Japanese are withdrawing eastward and westward destroying towns in their wake. To east, Kiangshan, Chekiang, has been retaken and to the west, Tunghsien, Kiangsi. Linchuan, Kiangsi, also retaken. Indication is that Japanese plan to withdraw to Nanchang area.

Press reports minor fighting in southwest Shansi.

American air force with headquarters now at Kunming bombed Lashio August 26.

Chinese reaction (unpublished because of press censorship) to appointment of Bissell¹⁰ as Commanding Officer of American Air Force in China, Burma and India has been unfavorable. Basing their opinion on what they understood Bissell's attitude to be while in Chungking, Chinese officials regard appointment as clear indication that China will not receive substantial Air Force assistance.

Generalissimo is still in Lanchow. Unconfirmed reports indicate that Sheng Shih-tsai, Chairman of the Sinkiang Government, is to be replaced by General Ho Yao-tsu, at present Aide-de-camp to the Generalissimo, that National Government troops from Hu Tsungnan's command are already moving into Sinkiang; and that Sheng is to receive some nominal position, such as pacification commissioner for certain northwest provinces or may be summarily cashiered.

Embassy has received clear indication from Chinese officials that replacement of Hu Shih by Wei Tao-ming as Ambassador is contemplated, but there is believed to be undercurrent of opposition to the appointment of Wei as unsuitable for the position.

GAUSS

¹⁰ Brig. Gen. Clayton L. Bissell, General Stilwell's air officer.

740.0011 Pacific War/2786 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, September 2, 1942.

[Received September 3—2:06 p. m.]

995. The Government spokesman in his statement yesterday reviewed the war situation and said in effect that Japan and Germany had passed the highest of their power and that the Allies have now reached "the hour of dawn". He said, "The little investment of American planes in China has yielded greater returns than anywhere else." In response to questions after he had finished his statement he further said that he did not believe that Japan would be allowed henceforth to concentrate on any one sector and would not be able to stage a full scale offensive against India. He said that the Japanese in China hence forth will be "kept on the run."

GAUSS

740.0011 Pacific War/2788

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] September 2, 1942.

The Chinese Ambassador called to say goodbye.

I inquired what he thought of the progress of the war, and he promptly replied that in his opinion there had been excellent improvement. He proceeded to emphasize the Solomon Islands achievement as being highly significant in every way. He then said that winter weather would be on in Siberia within another month and therefore he was of the opinion that the Japanese were not planning to attack Russia, but to attack India; that they are moving considerable forces down to Indochina, Thailand and nearby areas, and that it would be his advice that special attention be given to these movements and their objectives. I thanked him for his views and replied that I would bring his statement to the attention of the Far Eastern Division.

In taking official leave of the Ambassador I complimented him on the extraordinarily capable manner in which he had discharged his heavy responsibilities during his tenure of office. I likewise emphasized his outstanding contribution to Chinese-American friendship. The Ambassador expressed thanks in appropriate terms.

C[ORDELL] H[ULL]

893.24/1451

Memorandum of Conversation, by the Ambassador in China (Gauss) ¹²

[CHUNGKING,] September 4, 1942.

The British Ambassador having requested an appointment to see me, came for luncheon and a talk before and after.

Note: The Naval Attaché informed me this morning when he knew of the appointment for the British Ambassador, that the latter was likely coming in compliance with an instruction from London for an appraisal of the China situation. The British Military Attaché had informed Colonel McHugh that at a recent meeting of allied chiefs of staff in Washington our people had taken the view that aid should be extended to China; the British were of a somewhat different view, considering that China could go on for another year without aid. In consequence of this difference in views the British were calling for a reappraisal of the China situation, asking numerous questions as to the authority of the Generalissimo, whether it is still being maintained or could be threatened, what resistance could be expected from the Chinese if no aid were given, etc., etc. The British Military Attaché (a messmate of Lieutenant Colonel McHugh, our Naval Attaché) had put these questions to McHugh, quite frankly. McHugh understood that the British Ambassador would likely be seeing me.

Sir Horace said that he had been asked from London for an appraisal of the China situation; that, of course, he quite understood that a great deal depended on what the Japanese do, but did I not think that the Chinese could be expected to carry on, resisting in the manner they have been, for another year, without further aid.

I told Sir Horace that I had been impressed during recent months by the apparent weakening of Chinese military resistance; in the campaign of the Japanese in Chekiang and Kiangsi, there had been no effective resistance; our information had even indicated that the Chinese forces were under orders not to attempt any determined resistance, but gradually to withdraw; that is what they have done (despite their press communiqués of stubborn resistance, overpowering enemy forces, et cetera). Now that the Japanese had accomplished their objectives—of destroying the prepared airfields, of breaking up Chinese troop concentrations, and of seizing as much as possible of Chinese supplies at the air bases—they, the Japanese, were withdrawing, and the Chinese were reoccupying the areas from which the Japanese withdrew (not taking them by storm or heavy offensives, et cetera, as their propaganda reports indicate).

¹² Copy transmitted to the Department by the Ambassador in his covering despatch No. 611, September 9; received October 6.

No doubt abroad, I said, many observers, like the press, were impressed by the Chinese military communiqués and received the impression that China is fighting stubbornly and offensively and forcing Japanese retirement, while we here know (and Sir Horace readily admitted) that such is not the case.

I said that in endeavoring to explain the weakening of Chinese military resistance as I had observed it over the past year or more, I had finally concluded that the situation is not due to a decreasing will to resist but to the fact that the Chinese military reserves in munitions, etc. are such that they have determined not to use them unnecessarily; they have little opportunity for their replenishment, and whatever promises might be made of assistance in replenishing them, they would not likely use their fighting power unnecessarily—not until they should feel that it can be used effectively for permanent gains—or unless they definitely have their backs to the wall and are making a last stand.

I said that we have, of course, been hearing of Chinese disappointment that they are not receiving aid from the United Nations (Sir Horace interrupted to say that some Chinese tell him that they were better off before the allies came into the war!); that complaint has been loud and continuous, and I noted considerable irritation as well as disappointment. On the other hand, if my information serves me correctly, the Chinese have probably been rather exorbitant in their presentation of their needs.

But, I said, you cannot expect Chinese troops to stand up constantly against Japanese forces with artillery and air support—particularly air support—you cannot expect that type of continuing resistance and you will not get it. No foreign commander would expect his troops to stand up against artillery and air-supported troops in the manner that the Chinese have had to do now for several years. So that, when one asks whether the Chinese cannot be expected to continue their resistance for another year without allied aid, the answer is certainly “no”, unless of course the Japanese leave the Chinese forces alone and there is no call for resistance.

Sir Horace asked what I thought should or could be done. I stated that I had previously outlined my views on that subject to him in other conversations;¹³ that China must have reasonable air support—not a great deal and not more than can be serviced at the air bases in this country—air support with our own personnel; and there should be a substantial effort to bring in by air sufficient raw materials or semi-manufactured materials to permit the Chinese small arms arsenals and munitions factories to continue operating and supplying the forces in the field.

¹³ See memorandum by the Ambassador in China, May 26, p. 64.

Sir Horace referred to the recent arrival at Chengtu of some 8 Lockheed-Hudson bombers (2 were lost by the Chinese bringing them in). He commented that these bombers had been built by Lockheed for the British; they are equipped with British type guns, etc., but the British had been persuaded to release them to China. He wondered what China would do with them.

I commented that that is not the type of aid that I had in mind when speaking of air support. We all know that China does not have a trained air force which can use these Lockheeds or at least use them effectively. My idea of air support is support similar to that given by the Chennault task force—planes, pilots, ground crews, etc. Of course, I said, a number of Chinese have recently been under training in the United States. These Chinese when they return could, if brigaded with the Chennault command and given practical battle experience, probably prove to be efficient and effective airmen; but if they are put into the Chinese Air Force under squadron leaders without the requisite training and experience, all our effort will be lost.

Sir Horace asked whether I had any ideas on the strength of force needed in China. I commented that this is a question for the military men, but I had understood that a force of about 50 bombers and 100 odd fighters, with personnel, including ground crew as well as pilots, supplied by about 60 transport planes, would be about all that China could handle—about all that the air base facilities in China could handle—and, judging from what Brigadier General Chennault has accomplished with a very, very much smaller force—they would be an effective air force in this country. But they would need to be kept up to full strength. If to the 60 transports required to service this force were added another 40 transports, it seemed to me that, with the aid of the commercial air line as well (the C. N. A. C.) we could, at the same time that we were supplying and servicing this air force, bring in, in at least reasonable quantities, the necessary materials for the Chinese arsenals and munitions plants. That, I said, was all that I had contemplated by way of immediate “aid to China”. Of course there are the swivel-chair johnnies who can argue that a force of 50 bombers and 100 or more fighters is not enough; that the Japanese can muster overwhelming air strength and blot out such a force, and so on and on. But Chennault has shown what he can do with a small force—and when the Japanese came in superior strength to “blot out” the small American force, he had shown what he could do in handling that situation. Chennault has “paid dividends” and substantial dividends with the small force entrusted to him. I should like to see him have a larger force under his command. If the Japanese determine at any time to move in strength against the Chinese at any point in China, they can reach their objectives without question if China has

no air support. But given efficient air support such as Chennault has displayed can be handled, I believe we can expect continued—and effective—resistance. That, I said, is the substance of what we had to say to our Government in our reports on the China situation, and I am convinced that it is sound.

Sir Horace said that he agreed, and that he had, time and time again, put forward similar views to London, but apparently without result. All that he can do now is to put it all together again and send it along.

He then asked how I thought the Generalissimo stands in influence and power at this time. I said that the Generalissimo in my opinion remains the dominant figure in the Chinese Government and Chinese resistance. Of course his prestige among some of the military officers and the politicians and others may have suffered a bit by the failure of China to receive substantial outside support to win the war in China. He has always advocated resistance and has expressed the opinion that eventually Britain and the United States would come into the war and when they did, it would be won with American and British assistance. He has been disappointed as to the volume of aid he has received, and at times perhaps he has been impatient and irritated over the situation. But notwithstanding any loss of prestige that may have resulted, he remains the dominant influence and the center and inspiration of continued resistance. I commented that some of the Chinese military officers are reported not to have been enthusiastic for the substantial Chinese participation in the Burma campaign and they now point to the developments in Burma as justifying their views. Here again was another disappointment for the Generalissimo; but he has survived it.

When Sir Horace mentioned again that the British had been “persuaded” to release the Hudson (Lockheed) bombers for China, I commented that in my opinion the diversion to other fields of aid to China was probably more irritating to Chiang than would have been a refusal in the first place to give it. It is my understanding, I said, that repeatedly, planes or other military materials or equipment intended for—earmarked for China, have had to be diverted to other fields—to Britain, to Russia, to Britain in the Middle East and Africa, to Australia. We undoubtedly were persuaded that the need in those areas was acute and immediate; it is probably difficult for the Generalissimo to bring himself to the point of being persuaded that the need there in other areas is always so acute that aid must be diverted there and none come to the Chinese. His irritation is understandable; he is interested in this China field principally, just as others may be interested in their own theaters of war principally.

(It is difficult to get Sir Horace to express any views or opinions; he falls back on the fact that he is new to China, etc., etc.; but I did

get him to say that he had repeatedly recommended to London that aid to China is essential, along the lines of air support and personnel and materials for small arms ammunition and munitions; and that all that he can do now is to get out his previous recommendations and repeat them. I might record that it has been my understanding that R. A. F.¹⁴ officers who visited China to report on the need for air aid to China found that such aid should not be given. This has been reported to me repeatedly from several sources which I believe to be reliable).

C. E. GAUSS

032 Willkie, Wendell/72 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, September 19, 1942—1 p. m.

[Received September 21—10:04 a. m.]

1065. Your 763, August 24, 10 p. m. Generalissimo returned to Chungking on the 15th. I saw him yesterday afternoon. He welcomes visit of Willkie. We are awaiting information on probable date of arrival and length of stay before completing plans. Meanwhile Embassy at Kuibyshev has been furnished data on air route for information of the pilot.

GAUSS

740.0011 Pacific War/2872

Memorandum of Conversation, by the Ambassador in China (Gauss)¹⁵

[CHUNGKING,] September 19, 1942.

During my call yesterday afternoon on Generalissimo Chiang¹⁶ to inform him of the proposed visit of Mr. Wendell Willkie, the conversation as usual turned to the world situation, the Generalissimo asking me whether I had any particular news of developments. I replied that I had nothing particularly interesting or outstanding; that, of course, we are all watching closely to see which way Japan decides to move at this time—toward Siberia, perhaps toward India, perhaps toward Australia, or elsewhere. I commented that the Generalissimo had made accurate estimates in the past; would he venture an opinion on the present situation.

¹⁴ Royal Air Force.

¹⁵ Copy transmitted to the Department by the Ambassador in his covering despatch No. 632, September 21; received October 20.

¹⁶ Also present: Madame Chiang. H. H. Kung, Wang Chung-hui, Hollington Tong, Li Wei-kuo, and John Carter Vincent.

He replied smilingly that he thought not; but then went on to say that he did not expect a Japanese invasion of India this year, at least, because of lack of available transport facilities. For the same reason he did not expect a Japanese attempt to invade Australia. As to Siberia—well, he thought we would know Japan's intentions by the first of November. I commented that I supposed that this was considered about the last date for launching an offensive against Siberia, having in mind weather conditions. Dr. H. H. Kung, who was listening to the conversation, indicated an affirmative.

I asked the Generalissimo whether he had any information to confirm the report which had reached us in Chungking from several quarters that a meeting of the Japanese Privy Council had been held in the presence of the Emperor on about the 16th instant; those having this report suggested that it indicated that the Emperor's assent has become necessary to some major decision. The Generalissimo said he had not heard of the meeting; but later he said he had not heard of a meeting in the presence of the Emperor.

I had referred to the Generalissimo's absence in the Northwest and gave him an opportunity to volunteer comment on it; but with so many present, I did not feel that I should ask for information on the problems which have been under consideration there—internal problems. The substance of what has transpired will reach us eventually. The Generalissimo commented on the weather in the northwest, which he said had been cooler than usual this year.

C. E. GAUSS

740.0011 Pacific War/9-2242

Memorandum by the Adviser on Political Relations (Hornbeck) to the Chief of the Division of Far Eastern Affairs (Hamilton)

[WASHINGTON,] September 22, 1942.

I think that it would be *not* wise to send this ¹⁷ to the Secretary of War. Various statements which it contains would be likely to have little effect there other than to produce a sense of annoyance prejudicial to the interests of persons reporting and/or quoted. A copy might be shown to (perhaps be given to) Mr. Currie.

Desirable, it would seem to me, would be for us to prepare a memorandum for the use of the Secretary as a basis for oral statement (or to be handed) by the Secretary to the Secretary of War and the Secretary of the Navy at the next conference of those three officers.

¹⁷ Apparently despatch No. 570, August 12, from the Ambassador in China enclosing memorandum by the Second Secretary of Embassy in China (Davies) entitled "The China-Burma-India Theater—A Reappraisal", p. 126.

FE^{17a} would find in the despatch under reference and in a memorandum by me a copy of which is attached¹⁶ material on which to base such a memorandum.¹⁹ The Secretary's card of entry for an expression of opinion in relation to the matter of giving adequate support to the American Air Force in China is and could be stated to be in the fact that the problem of keeping China in the war as an active belligerent and of using our instrumentalities for that purpose is in its primary aspects a political problem.

S[TANLEY] K. H[ORNBECK]

740.0011 Pacific War/2894

The Ambassador in China (Gauss) to the Secretary of State

No. 641

CHUNGKING, September 23, 1942.
[Received October 30.]

SIR: I have the honor to enclose for the Department's information a translation of an editorial²⁰ from the *Central Daily News* (Kuomintang Party publication) of September 11, 1942, concerning the British Parliamentary Goodwill Mission to China.

The editorial extends a hearty welcome to the Mission which is scheduled to leave Great Britain for China at the end of September and states (1) that the sending of such a Mission at this time is a further indication of the importance attached to the China war theater by Great Britain, (2) that the visit of the Mission will afford an opportunity for discussion of military, economic and other phases of the problems, including post-war problems, affecting mutual cooperation between the two countries and (3) that the representative nature of the Mission fully reflects the spirit and unity of Great Britain.

According to a report released by the Press Attaché's Office of the British Embassy, the Mission is visiting China in response to an invitation from Generalissimo Chiang Kai-shek. The Chinese press, has, however, made no reference to such an invitation, and it is believed that the idea of sending this Mission may have grown out of the desire of the British Government to counteract the anti-British feeling existing among Chinese official and private circles and that the visits of Mr. Currie and Mr. Willkie to China may have given further impetus to the idea. There seems to have been a concerted and directed effort on the part of Chinese officialdom to bring about a more friendly feeling toward the British Government as is evidenced in

^{17a} Division of Far Eastern Affairs.

¹⁸ For text, see memorandum of August 17, p. 135, 4th, 5th, and 6th paragraphs.

¹⁹ See memorandum of September 25 by the Assistant Chief of the Division of Far Eastern Affairs (Salisbury), p. 155.

²⁰ Not printed.

editorials in most of the Chinese newspapers on September 3 acclaiming the courage and resistance of the British on the third anniversary of the British declaration of war against Germany and in editorials on September 11 welcoming the Mission to China.

Respectfully yours,

C. E. GAUSS

893.20/9-2542

*Memorandum by the Assistant Chief of the Division of Far Eastern Affairs (Salisbury)*²¹

[WASHINGTON,] September 25, 1942.

It is realized that the War and Navy Departments are giving constant and serious consideration to the question of maintaining and strengthening the United States Air Force in China.

There are involved in this question a number of important *political* factors. Among these there may be mentioned the following:

In the recent activities of the United States Air Force in China and in the air operations by the Japanese brought on by those activities it is to a considerable extent Chinese persons and Chinese property that are damaged. Such destruction the Chinese do not, for the moment, mind. However, these developments create an obligation and a risk. If the current operations of our air force are not sustained and increased the present Chinese approval and appreciation of this effort will evaporate, we will be discredited, China's confidence in her Allies will be further impaired, and China's whole attitude toward the United Nations' war effort will tend to become "sour". By our launching of operations in China by United States armed forces, we have put ourselves in a position where it becomes from the political point of view of utmost importance that we maintain and extend the scope of these operations.

It is understood that the United States Air Force in China recently had only five bombers operating and had only something over thirty pursuits. Nevertheless, this force has made an amazingly effective showing.

²¹ Attached is a memorandum to the Secretary of State from the Chief of the Division (Hamilton) as follows:

"In view of the importance of certain political factors bearing upon the questions of maintenance and increase in strength to some degree of the United States Air Force in China, FE has prepared a brief memorandum, attached hereto, calling special attention to those factors.

"It is suggested that during your next conference with the Secretary of War and the Secretary of the Navy you may wish to hand copies of this memorandum to them."

Apparently in the handwriting of the Adviser on Political Relations (Hornbeck), notation at top of memorandum states: "Superseded." No memorandum to replace this has been found, however, in Department files.

It is realized that great practical difficulties lie in the way of maintaining and expanding this force. Some expert opinion holds that these difficulties cannot be overcome. On the other hand, General Chennault, whose record of accomplishment and first-hand experience in regard to this matter are probably not matched by any other person, is reliably understood to be confident that, with a minimum force of 150 planes—100 pursuits and 50 bombers, preferably long-range—supplied by 50 to 60 transport planes operating between India and China, he can carry on operations which will make a distinct and positive contribution toward defeating the Japanese. This would of course take care of the political factors involved.

The decision which the United States reaches in regard to the future of the United States Air Force in China will, it is believed, be of major influence in the course of events as regards China's remaining or China's ceasing to be an active belligerent, as regards an accelerated or a delayed defeat of Japan, and as regards a cooperative or a non-cooperative China in the solving of post-war problems.

These political factors have probably been given consideration but in as much as they are the type of factor to which the Department of State gives special attention they are being presented thus informally to the military authorities.

740.0011 Pacific War/2840 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, October 2, 1942—1 p. m.

[Received October 2—11:58 a. m.]

1127. Military situation in China at present quiet without indication that Chinese contemplate major action or Japanese currently plan to do more than hold strategic points and lines now in their possession. Reported recent military action in Chekiang believed essentially of nature of skirmishes notwithstanding Chinese reports of heavy fighting. Japanese forces still occupy Kinhwa and Lanke and have retaken Wuyi. One report indicates that Japs have recently experienced some difficulty with puppet troops in vicinity of Nanchang. Military Attaché's office believes reported movement of Jap troops in Kalgan area no more than return of some troops to their original positions; that there may have been some recent withdrawals from China; and that Jap forces in Indochina, Thailand and Burma now comprise only four and one-half divisions. The Military Attaché himself is scheduled shortly to return from an extended tour of front line areas toward eastern China and will probably have important first-hand information.

The political front has likewise remained quiet in past week without significant developments in connection with either Kuomintang-communist relations or the reorientation of Sinkiang. Chinese attention for the moment is centered on impending visit of Mr. Willkie.

GAUSS

811.917/227

The Ambassador in China (Gauss) to the Secretary of State

No. 661

CHUNGKING, October 2, 1942.

[Received October 30.]

SIR: I have the honor to refer to my telegram, no. 1131 of October 2, 4 p. m.,²² in reference to the complaint of the Ministry of Foreign Affairs concerning articles unfavorable to China published in American magazines and newspapers, and to enclose for the information of the Department copy of a memorandum of conversation between Mr. Shao Yu-lin, Chief of the Information Department of the Ministry of Foreign Affairs, and Mr. Edmund Clubb, Second Secretary of this Embassy.

I learned a few days ago that at a recent meeting of the Executive Yuan the matter of articles unfavorable to China appearing in the American press was discussed, and it has also been intimated to me that at this meeting there was comment on American press editorials regarding the retirement of Dr. Hu Shih as Ambassador at Washington, there being some inclination to believe that these editorials commendatory of Dr. Hu Shih and expressing regret at his replacement were in fact intended to be critical of the Chinese Government.

While I have been seeing the Political Vice Minister of Foreign Affairs²³ recently—and since the date of the reported meeting of the Executive Yuan—he has not mentioned the subject to me in any way. If he had done so, I should have taken occasion to explain to him in the usual formula the matter of freedom of press in the United States.

The Chinese Government and the Kuomintang are supersensitive to all criticism or comment in any way unfavorable to China, notwithstanding that some such criticism may at times be well deserved and perhaps may even be beneficial.

I have suggested in my telegram that the Department of State may wish to indicate the reply, if any, to be made to the representations of the Chief of the Information Department of the Ministry of Foreign Affairs.

²² Not printed.

²³ Foo Ping-sheung.

Needless to say, the articles of which Mr. Shao complained have not been published in China.

Respectfully yours,

C. E. GAUSS

[Enclosure]

*Memorandum of Conversation, by the Second Secretary of Embassy
in China (Clubb)*

[CHUNGKING,] October 1, 1942.

I called by appointment on Mr. Shao Yü-lin, Chief of Information Department of the Ministry of Foreign Affairs, informing him that Mr. Vincent (for whom he had asked when he phoned yesterday) was at present not well and that I therefore came in the latter's stead.

Mr. Y. S. Ch'en was also present, evidently chiefly in the capacity of interpreter.

Mr. Shao stated that he spoke on behalf of the Ministry for Foreign Affairs. It had been noted, he said, that there had recently appeared in American magazines and newspapers items unfavorable in their attitude toward China. Representative of such articles he would cite one written by Edgar Snow and published in the *Saturday Evening Post*, and another item, comprising an anonymous letter, printed in the *July Atlantic Monthly*. He gave me short surveys of the two items in question "for reference". He said that, when recently news came out in regard to labor strikes in American industry, for instance, the Chinese Government had kept that news out of the columns of the Chinese press by reason of its care for Chinese relations with the United Nations in general and the United States in particular. He said that if items such as the article by Snow and the anonymous letter were permitted to be published in American magazines and newspapers it was to be feared that they might cause misunderstanding between the two concerned peoples, and the Ministry therefore desired that the matter be brought to the attention of the Department of State with the aim that such items should not be permitted to appear in the future.

I said that, as Mr. Shao of course knew, the American press prior to the war was generally free from restrictions, that I was not myself aware of just what censorship was being imposed at the present time, but that I would lay the matter together with the Ministry's request before the Ambassador.

O. EDMUND CLUBB

*The Chief of Staff (Marshall) to President Roosevelt*²⁴

WASHINGTON, October 6, 1942.

Support of General Stilwell

The Secretary of War and I have personally had lengthy discussions regarding General Stilwell. We feel that at least for the time being we should continue to support him in the accomplishment of what is an extraordinarily difficult mission. Our great objective is to re-occupy Burma sufficiently to open up a supply route into China. The British cannot do this alone; the Chinese certainly can't manage it; neither side would admit of leadership by the other. So our only hope as I see it is to secure guidance by an American. He must be a troop leader rather than a negotiator or supply man who would only serve to promote harmony at Chungking. We have searched our resources and at the moment we do not see any officer with a sufficient knowledge of the Chinese and with sufficient standing as a troop leader to hope to secure either British or Chinese acquiescence for control of a campaign.

Stilwell has spent almost ten years in China. I believe an officer without some such experience would be utterly helpless in dealing with Chinese methods, particularly in resistance to Occidental methods.

I know that Mr. Currie feels that Stilwell should be relieved but I do not believe Mr. Currie realizes what this is going to mean towards the accomplishment of our military objective in Burma.

Clarification of the situation

It is hoped that your reply to the Generalissimo's three demands, a draft of which I recently submitted for your approval, will go a long way towards clarifying the situation.

Officer en route to China

Colonel Timberman of the General Staff is departing by air today for China to survey the entire situation. He has had years of experience in China. I should not like to take any final action prior to his return.

It is therefore recommended that no action relative to General Stilwell should be taken at this time.

G. C. MARSHALL

²⁴ Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

032 Willkie, Wendell/109

*Generalissimo Chiang Kai-shek to President Roosevelt*²⁵

CHUNGKING, October 6, 1942.

MY DEAR MR. PRESIDENT: Mr. Willkie has kindly handed me your letter of August 22nd [21st]. He has been a most welcome guest, not only to my wife and myself, but to the entire Chinese nation. I am sure you will be glad to hear of the enthusiastic reception extended to him by the populace in different parts of China. It was a spontaneous expression of the Chinese people's profound attachment to the United States.

I have had long and profitable talks with him, during which, among other things, I realized more fully the consummate wisdom which you have exhibited in grappling with the almost overwhelming problems that you have successfully faced and which fills me with profound admiration of you as a world statesman and a protagonist of human freedom. It was this unfaltering leadership which has rendered possible the magnificent war effort which is now being put forth by the American nation. I shall not fail to call upon my fellow countrymen to strive to emulate the exertions of their comrades-in-arms across the Pacific.

It is a matter for regret that Mr. Willkie cannot remain in China long enough to permit of his observing conditions in our central provinces. He has, however, visited several places of importance in the Northwest, which is one of the bases of our armed resistance. When you have heard his report, I would be greatly obliged if you will let me have a full statement of your views.

Madame Chiang wishes me to request you to convey her kindest regards to Mrs. Roosevelt. She appreciates greatly your kind invitation, and it is her earnest desire to pay a visit to your great country as soon as circumstances permit.

Always sincerely,

CHIANG KAI-SHEK

032 Willkie, Wendell/110

*The Chinese Minister of Finance (Kung) to President Roosevelt*²⁶

[CHUNGKING,] October 7, 1942.

DEAR MR. PRESIDENT: Taking advantage of Mr. Wendell Willkie's return to Washington, I am sending you this message to say how much our Government and people appreciate your sending him to our

²⁵ Copy of original transmitted by President Roosevelt on October 15 to the Under Secretary of State (Welles) "for preparation of reply for my signature".

²⁶ Copy of original transmitted by President Roosevelt on October 15 to the Under Secretary of State (Welles) "to personally prepare a reply for my signature".

country. Never have I seen such spontaneous and heart-felt welcome accorded to a foreign visitor by our people of all walks of life as that shown to your personal representative. Despite his short stay, Mr. Willkie has done much by his infectious enthusiasm to invigorate China's war efforts. I am sure that having seen the facts in China with his own eyes he will be able to give you a correct picture of China's war efforts as well as of her problems and needs.

Knowing that you and your family are fond of Chinese tea, I take this opportunity to send you and Mrs. Roosevelt some fresh tea from this year's crop, one jar of red tea and another of green tea, which please accept with the warmest regards and best wishes from Madame Kung and myself.

Sincerely yours,

H. H. KUNG

032 Willkie, Wendell/124

The Ambassador in China (Gauss) to the Secretary of State

No. 671

CHUNGKING, October 8, 1942.

[Received November 27.]

SIR: I have the honor to enclose for the Department's information the following material concerning the visit to China of Mr. Wendell L. Willkie as a Special Representative of the President:

1. A schedule showing the program of official activities during Mr. Willkie's visit.²⁷
2. Various speeches given by Mr. Willkie and prominent Chinese Government officials during the visit, as reported by the Chinese press.²⁸
3. Confidential comment by the Ambassador.

Mr. Willkie was given an enthusiastic welcome by the Chinese Government, the press and the civilian population from the time of his arrival at Chungking on October 2 until his departure on October 7. The principal streets of the city were decorated with banners bearing messages of welcome to Mr. Willkie and acclaiming Sino-American cooperation, and the streets were lined on the day of his arrival with Chinese waving American flags. Chinese newspapers at Chungking during Mr. Willkie's visit were filled with special articles devoted to his career, editorials approving his visit and items covering his activities while in China.

Editorial comment concerning the visit emphasized three principal points: (1) the genuine friendship existing between the Chinese and American people, (2) the identical outlook between China and the United States and (3) the necessity of all-out cooperation between

²⁷ Not printed.

²⁸ None printed.

China and the United States during the post-war period. The *Ta Kung Pao* (influential independent daily), referring to Mr. Willkie's visit to the industrial areas, points out that China's failure to show a more significant industrial effort is due to the "unequal treaties" as well as the insufficient efforts of the Chinese people and the obstructive policy of Japan and appeals for the strengthening of China's war and post war economy through American aid, the need for which Mr. Willkie will be able to see during his visit to China and for which he will be able to take measures of assistance after his return to the United States. The *I Shih Pao* (Catholic) comments favorably upon Mr. Willkie's views of the post-war world and acclaims his attitude on the question of racial equality and freedom. The *Ta Kung Pao* feels that the United States should lead the way in removing long standing prejudices concerning racial equality and notes with approval Mr. Willkie's views pertaining thereto.

The dominant note of Mr. Willkie's speeches during his visit to China has been that of freedom, racial equality, justice and opportunity for all nations and peoples, the pledging of all-out American aid to all her allies and the painting of a favorable picture of American war production. Mr. Willkie stated in one speech that his purpose in making this visit was twofold: (1) to stimulate the war effort of the countries which he visits and (2) to help build a post-war world order under which all people shall have the right to determine their own social and political societies and live in freedom and justice regardless of race, creed or color. At a final interview with the press on the day of his departure, Mr. Willkie read a prepared statement in which he emphasized the need for offensive action by the United Nations, the necessity of increased aid for China and the Soviet Union, and the belief that the principles of the Atlantic Charter should be given concrete application to the peoples of Asia and that such action should not be postponed to the post-war period but rather should be given implementation now by all the United Nations jointly.

Respectfully yours,

C. E. GAUSS

[Enclosure]

Memorandum by the Ambassador in China (Gauss)

[CHUNGKING, undated.]

Mr. Willkie's visit to China was cordially welcomed by the Chinese Government. Elaborate arrangements were made for his reception and entertainment, and for popular demonstrations of acclaim. Every effort was made to evidence a most cordial attitude of friendship toward the United States and toward Mr. Willkie personally as a

prominent American, a "special envoy" of the President, and a personage in American political life likely to exercise great influence in American and world affairs affecting China.

It is known to the Embassy that Dr. T. V. Soong, Minister of Foreign Affairs of China, now in Washington, informed the Chinese Government that Mr. Willkie (1) might be the next President of the United States and (2) might be seated at the peace conference where issues vital to China will be discussed and decided. He recommended, therefore, that the utmost effort be made to make Mr. Willkie's visit to China a success and to do everything possible to win Mr. Willkie firmly to China's cause.

Mr. Willkie's visit to China may be described as successful in that he was well received and extravagantly entertained. He was extremely cordial in his attitude toward the Chinese, energetic and untiring in carrying out his program of visits of inspection, speeches, et cetera.

Mr. Willkie has not held public office, nor, apparently, has he traveled extensively abroad. His attitude at Chungking was perhaps more that of a visiting prominent American politician than of a distinguished American acting as a "special representative of the President". Chinese officials and other Chinese familiar with the United States were somewhat amused at what they described as the American political campaign technique of Mr. Willkie during his visit. Others not familiar with the United States or foreign countries were somewhat confused and startled but interested and friendly.

The principal observation made on Mr. Willkie's visit was his attitude toward the press—Chinese and foreign. He courted the correspondents and newspapermen on every occasion, invited them to accompany him on his inspection visits (although the official program did not so contemplate), and ignoring his hosts—cabinet ministers—on such visits, he surrounded himself with the press and encouraged them to record his remarks. Upon his arrival at Chungking, he submitted to the press, leaving his hosts (Chinese officials) waiting while he gave a press interview. During his presence at receptions and other gatherings he was quick to yield to any request of the press, abandoning his Chinese hosts and going into a corner with the press men for as much as ten to fifteen minutes. This attitude was rather disconcerting to high Chinese officials, but they accepted the situation with typical Oriental grace and Chinese good humor (if not amusement).

The diplomatic representatives of the United Nations were faithful in their attendance by invitation at a number of functions given for Mr. Willkie; but beyond the acknowledgement of introductions, he had nothing to say to any of them, although he had recently visited in their countries in several instances.

Mr. Willkie did not visit the American Embassy. The program prepared by the Foreign Office contemplated that he would proceed to the American Embassy and spend the first night at the Ambassador's residence. A cordial invitation was extended to Mr. Willkie to do so, but he elected otherwise. The Ambassador accompanied Mr. Willkie on his courtesy calls on the Chairman of the National Government,²⁹ the Generalissimo and Madame Chiang Kai-shek, Dr. H. H. Kung, the Vice President of the Executive Yuan, General Ho Ying-chin, Chief of General Staff, and the Foreign Office. The Ambassador also attended the official dinners and luncheons given by the Chairman of the National Government, the Generalissimo and Madame Chiang, and Dr. Kung. He held a reception for Mr. Willkie attended by the high Chinese officials, the heads of diplomatic missions, and the American community. He also attended the reception for Mr. Willkie given by the cultural associations. On visits of inspection to factories, arsenals, educational institutions, etc., officers or attachés of the Embassy were detailed to accompany Mr. Willkie—at the request of the Foreign Office. The Naval Attaché of the Embassy accompanied the Generalissimo's representative to welcome Mr. Willkie upon his arrival in China at Tihwa (Urumchi). The Military and Naval Attachés left Chungking with Mr. Willkie on his departure to visit the Tungkwang war front. The attachés will return to Chungking from the war front.

Mr. Willkie had several private conversations with the Generalissimo and Madame Chiang Kai-shek. The Ambassador was not invited to be present at these conversations, nor was he informed by Mr. Willkie of their purport. It is the custom of the Generalissimo and Madame Chiang to invite prominent foreign visitors for private conversations (seldom in the presence of the diplomatic representatives) when China's ambitions are disclosed and there is often complaint and criticism on the lack of sufficient aid from one country or another, and criticism of the attitude of one country or another.

During the courtesy call on Generalissimo and Madame Chiang on Saturday, October 3d, Mr. Willkie devoted most of the time to pressing an invitation to Madame Chiang to visit the United States, traveling in the Willkie plane. In response to an inquiry from Madame Chiang whether such a visit would be likely to produce "planes for China", Mr. Willkie assured her that her visit would get all the planes Madame Chiang might desire.

Generalissimo Chiang smiled throughout this conversation but made no commitment beyond saying that Madame Chiang had always desired to re-visit the United States and some day she might do so.

The Ambassador informed Mr. Willkie of the desire of the Embassy to be of any assistance to him during his visit, and to give him any

²⁹ Lin Sen.

information desired. Mr. Willkie, however, sought no information or guidance from the Ambassador or the Embassy. There were no consultations or discussions on Chinese or other affairs.

C. E. G[AUSS]

740.0011 European War 1939/24771 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, October 9, 1942.

[Received 2:42 p. m.]

1157. Chinese press has unanimously supported Willkie's statement made to foreign and Chinese newspapers correspondents on October 7. Particular approval has been given to the following points:

1. The day of imperialism has ended and the principles of the Atlantic Charter must be made applicable to all nations which must be given independence and freedom with ironclad guarantees thereof by United Nations jointly.

2. Now is the time for an all out offensive by the United Nations.

3. Aid must be given to China and Russia. The *Ta Kung Pao* and *I Shih Pao*, referring to statement, appeal for abolition by the United States of "unequal treaties" with China as evidence of application of principles suggested and ask why such action should be deferred to end of war.

GAUSS

811.917/224 : Telegram

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

WASHINGTON, October 9, 1942—9 p. m.

939. Your 1131, October 2, 4 p. m.³⁰ The Department desires that the Embassy reply informally to the Ministry of Foreign Affairs along lines as follows:

The Embassy has brought to the Department's attention the complaint of the Ministry of Foreign Affairs in regard to certain articles appearing in American publications which it regards as unfavorable to China and also the suggestion of the Ministry that such articles be not permitted to appear in the future on the ground that they might cause misunderstanding between the American and the Chinese peoples.

The Department regrets that the Ministry should feel that there is occasion for complaint about articles appearing in American publications on grounds of their objectionable character.

³⁰ Not printed, but see despatch No. 661, October 2, from the Ambassador in China, p. 157.

It is desired to call attention to the fact that published opinion in this country as a whole is overwhelmingly very friendly toward China and China's cause. In the opinion of the Department if attempts were made by this Government to follow a policy of suppressing expressions of opinion of a critical character such attempts could hardly fail to be regarded by the public as invasions of the right of free speech and in a specific situation such as is here under reference the public resentment of such a procedure might well react adversely upon the spontaneity of the support which the public has given to matters connected with China. The considerations affecting this Government's attitude toward the question of adopting suppressive measures against public criticism apply as much to criticism of this Government itself as to criticism directed against other friendly countries and their governments. The Ministry of Foreign Affairs may be assured, however, that this Government will continue, as it has in the past, to exercise its influence and lend its guidance, as far as it can appropriately do so, in the interest of maintaining and promoting a friendly attitude on the part of the American public toward all countries with which the United States enjoys friendly relations.

WELLES

740.0011 Pacific War/2974

Memorandum of Conversation, by the Chief of the Division of Far Eastern Affairs (Hamilton) ³¹

[WASHINGTON,] October 12, 1942.

Participants: Dr. T. V. Soong, Minister for Foreign Affairs of China
Mr. Hornbeck
Mr. Hamilton

During the course of a call at his initiative prior to his departure for China, Dr. Soong said that he wished to bring up for special attention one question. He continued that Generalissimo Chiang Kai-shek and the Chinese Government were very desirous that prompt steps be taken to recapture Burma. He pointed out that Burma was of special importance to China in that with Burma in Chinese hands much needed supplies could reach the Chinese armies, whereas with Burma in Japanese hands China was dependent almost entirely upon air transport service from India.

Mr. Hornbeck said that he was one of those who believed that use of the air was bound to become increasingly important. He added that he, however, realized and appreciated the importance of Burma's

³¹ Noted by the Secretary of State.

being recaptured from the Japanese. He said that in his view it would also be desirable if the Japanese could be dislodged from Indochina.

Dr. Soong asked that in our contacts with the military authorities of this Government we keep in mind the importance which the Chinese Government attached to the recapture of Burma. He said that the Chinese Government would be very appreciative of anything that might be done to bring about such a development.

M[AXWELL] M. H[AMILTON]

811.917/234

The Ambassador in China (Gauss) to the Secretary of State

No. 693

CHUNGKING, October 21, 1942.

[Received November 12.]

SIR: I have the honor to refer to the Department's telegram no. 939 of October 9, 9 p. m. setting forth the terms of the reply to be made in respect to the complaint of the Ministry of Foreign Affairs regarding adverse criticism of China recently published in certain American periodicals, and to enclose for the information of the Department a copy of a memorandum of conversation dated October 17, 1942 reporting the consequent interview in the premises between Mr. Shao Yü-lin, Director of the Information Department of the Ministry, and Second Secretary O. Edmund Clubb.

It will be observed that Mr. Shao Yü-lin was apparently somewhat reluctant to abandon the Chinese objective of achieving the imposition on the American press of a measure of control which would serve to prevent the publication in the United States of adverse criticism of China and its leaders; and that, after having had explained to him the general nature of American censorship in wartime and after his having in turn explained how strictly the Chinese censorship functioned, Mr. Shao expressed the desire of the Chinese side that, even as they would use the information as to the workings of the American censorship "for purposes of reference", so should the American authorities take note of the Chinese procedure "for purposes of reference." Mr. Shao nevertheless expressed the appreciation of the Chinese authorities of that influence on American public opinion which the United States Government had exercised in the past for the benefit of China.

Mr. Shao's persistence very probably was due at least partially to the circumstance that the Foreign Office reputedly achieved a measure of success when it recently protested to the British Embassy at Chungking against the passing by the censors of the Indian Government of two articles written by Mr. Edgar Snow for the *Saturday Evening Post* (one of those articles presumably being that which was the subject

of the Chinese protest to this Embassy). In that instance, by report, in spite of the opposition of Sir M. Zafrullah Khan, Indian Agent General for China, the British Embassy transmitted the protest to the Indian Government, which on its part promised that it would in the future cooperate with the Chinese National Government to the end that such articles should not be passed by the censors in India and stated (evidently bearing in mind recent critical press articles and remarks of Chinese officials attacking British action in India) that the Indian Government expected similar cooperation from the Chinese Government. It might perhaps be noted at this point that Mr. Shao Yü-lin observed to Mr. Clubb, while depicting the workings of Chinese censorship, that unfavorable news and comment regarding the situation in India was suppressed in China, even as was news regarding strikes in American shipyards, out of consideration for China's relations with its allies. There is enclosed, for the information of the Department, a copy of the strictly confidential memorandum³² of a conversation on October 16, 1942 between Mr. Basil Boothby, Second Secretary of Embassy of the British Embassy, and Third Secretary of Embassy Philip D. Sprouse, comprising the report of the above-mentioned Chinese protest to the British authorities.

It is the considered opinion of this Embassy that the Chinese authorities will continue to endeavor to prevent the publication of information or criticism tending to portray the weaknesses and faults of their leadership, but that it would be a mistaken policy for American governmental agencies to foster in the minds of National Government leaders the belief that, even in those circumstances where their actions are without merit, they can depend upon the United States Government for assistance in maintaining intact that highly favorable American public opinion vis-à-vis China which has owed its development partially to artificial factors. As stated in my despatch no. 661 of October 2, 1942 in regard to this subject, it is believed that critical comment by the American press of Chinese affairs, if well deserved, may occasionally have a beneficial effect; in any event, such criticism should not be expected to result in any weakening of the American position in China. The maintenance of that position would seem to depend for the greater part by far upon such elements of military and political strength as the United States may display in actual performance in the field of the present world conflict, and only to a minor extent on the continued expression by the American press and public of friendly sentiments toward China: the present Chinese leaders are realists who are guided by practical material considerations when laying their political course.

Respectfully yours,

C. E. GAUSS

³² Not printed.

[Enclosure]

Memorandum of Conversation, by the Second Secretary of Embassy in China (Clubb)

[CHUNGKING,] October 17, 1942.

I called this morning by appointment on Mr. Shao Yü-lin, Director of the Information Department of the Foreign Office. Mr. Y. S. Ch'en was also present in the capacity of interpreter.

I communicated to Mr. Shao essentially verbatim (without, however, using a written text) the Department's reply of October 9 to the Foreign Office's protest in regard to the appearance of items adversely critical of China in the columns of American periodicals. I made that communication in English. When Mr. Ch'en was translating the last part of the Department's reply, I intervened to make it clear and to emphasize that the Department's assurance that the United States Government would continue to exert its influence and to lend its guidance along appropriate lines to maintain and further a friendly American public opinion in regard to friendly Governments and nations (1) did not propose any departure from the procedure heretofore employed to the same end and (2) had reference not particularly to China and the case under discussion but was general in its import.

Mr. Shao asked if there did not exist under present conditions an American censorship of publications. I said that there was a censorship of information referring to military matters such as movement of troops, the manufacture of new types of armaments, ship movements, et cetera, but apart from information of that category the publication of news was unrestricted; and, particularly, there was no censorship of the expression of critical opinion by American periodicals in regard to political and economic developments, or in regard to governmental acts, whether on the part of the United States or of other countries.

Mr. Shao asked if the same censorship could not be applied to the publication of material of a general nature as in the case of specifically military information, to which I replied that I thought that would be very difficult. I returned at this point to emphasize that it was to be feared that any attempt to interfere with the freedom of the press in the United States would probably in the event be attended by adverse results for the spontaneous support the American public has hitherto given the Chinese Government and the Chinese people. Mr. Shao asked whether, after the formation of OWI, it was that agency which was concerned with matters pertaining to the censorship of information. (I believe that his question probably grew out of a particular reason, perhaps not unconnected with the functioning of an OWI office in Chungking.) I said that I could not be sure on that point, but

that I believed that the OWI was not the responsible agency, but that instead censorship was effected through such particular agencies as the Department of War, Department of State, and the Navy Department.

Mr. Shao proceeded to outline the Chinese procedure for the exercise of control over the press, observing that all information, whether it had to do with political, economic, financial or social affairs, as well as that pertaining directly to military matters, was subject to censorship; and that the expression of opinion fell in the same category. He said that this was in accordance with the concept of "total war", and that it was on that basis that the Chinese Government acted to control news which it might be considered would be detrimental to the interests of friendly states should it be made public. He referred to the case where certain newspaper correspondents in India had reported the arrival there of a certain number of American planes, stating that the Chinese authorities in that instance had considered that the publication of such news constituted an act detrimental to the interests of the United Nations; and he said that, when there had been a strike in a shipyards in the southern part of the United States—I suggested that it might have been San Francisco, but Mr. Shao did not remember—the Chinese authorities had kept the news out of the Chinese press. I said that there was no question when it came to the matter of control of information of a strictly military character, but that, as regards the American shipyards' strike in question, it seemed to me very probable that the news was published in the United States itself.

Mr. Shao desired to be informed further in regard to the nature of American control over the press, and I said that the State Department, for instance, had a section which followed public opinion and the news as published in the current press, that in the Department press conferences there were sometimes issued communiqués, and statements of policy, that there were in those press conferences exchanges of news and views, that the press was informed as regards the policies of the United States Government and for the major part could be expected to follow those policies in time of war, but that if any newspaper chose not to follow the Government's policy there was still no control imposed upon it (to prevent the expression of adversely critical opinion). I emphasized again that the American censorship was directed against publication of military information only and not against criticism. I remarked again that, as indicated in the Department's reply, the Chinese Government and people enjoyed a very favorable press in the United States, and said that a few expressions of critical opinion should be considered as bearing comparatively little importance when viewed against the whole. I added that, in my personal opinion, the

indirect approach to such problems was sometimes superior to the direct.

Mr. Shao said in conclusion that the Chinese authorities appreciated the influence the United States Government had exercised in the past for the benefit of China. He asked whether what I said could be taken as representing the American policy as regards the question of censorship. I said that it could. Mr. Shao then said that the Chinese authorities would use that information "for purposes of reference", but hoped that the American authorities would also take note of the Chinese procedure as set forth by him, likewise for "purposes of reference".

O. EDMUND CLUBB

893.20/770½

Memorandum by the Chief of the Division of Far Eastern Affairs (Hamilton) of a Conversation With the First Secretary of the British Embassy (Hayter)

[WASHINGTON,] October 23, 1942.

During a call at the Department this afternoon Mr. Hayter said that in May 1942 General Chiang Kai-shek had requested that the British Government furnish some British instructors to the Chinese Air Force Staff College and this had now been done. Mr. Hayter stated that he *thought* that the British Air Attaché had communicated this information to the War Department. He added that the British Foreign Office had not advised the British Embassy here as to the number of British instructors in question.

M[AXWELL] M. H[AMILTON]

032 Willkie, Wendell/109

*President Roosevelt to Generalissimo Chiang Kai-shek*³³

[WASHINGTON, October 26, 1942.]

MY DEAR GENERAL CHIANG: I was very pleased to receive your letter of October 6, 1942, in which you were so good as to give me the benefit of your observations in connection with the recent visit to China of Mr. Willkie.

It was very gratifying to learn from you that you found your talks with Mr. Willkie profitable, especially in the matter of acquainting you with the problems which we in this country face in connection with the war.

³³ Transmitted in Department's No. 142, October 29, to the Embassy in China for delivery to Generalissimo Chiang.

Mr. Willkie has told me of the cordial welcome which you and your countrymen extended to him and of the full opportunities he was accorded for making observations of conditions and for exchanging views with you and other Chinese leaders, and I wish to express my deep appreciation for all that you did for him.

I am happy to inform you that Mr. Willkie has spoken in the warmest terms of the fine spirit he found prevailing among the Chinese people. I am sure that his visit will prove of great benefit by enabling us in the United States to visualize more clearly many important aspects of questions involved in integrating our common war effort.

Mrs. Roosevelt desires me to thank you for the message which you conveyed from Madame Chiang. We shall look forward with pleasure to the day when we can welcome her to this country and, I hope, you also.

Very sincerely yours,

[FRANKLIN D. ROOSEVELT]

032 Willkie, Wendell/110

*President Roosevelt to the Chinese Minister of Finance (Kung)*³⁴

[WASHINGTON, October 26, 1942.]

MY DEAR DR. KUNG: It was very gratifying to me to learn from your letter of October 7, 1942, of the cordial welcome which was extended by the people of China to Mr. Willkie on the occasion of his recent visit there. Mr. Willkie has personally reported to me how profoundly he was impressed not only by the friendliness of his welcome but also by the helpful attitude which was manifested everywhere in affording him the fullest opportunity to observe conditions and to exchange views with Chinese leaders. I wish to express my appreciation of the courtesies which you extended to Mr. Willkie.

We in this country cannot but feel encouraged by the spontaneity and warmth of the welcome accorded in China to Mr. Willkie as a manifestation of the spirit of unity with the United States and with the other United Nations prevailing among the Chinese people.

Mrs. Roosevelt joins me in thanking you and Madame Kung for your thoughtful gift of Chinese tea and in heartily reciprocating your kind expression of good wishes.

Very sincerely yours,

[FRANKLIN D. ROOSEVELT]

³⁴ Transmitted in Department's No. 142, October 29, to the Embassy in China for delivery to Mr. Kung.

740.0011 Pacific War/2912

Memorandum by the Assistant Secretary of State (Berle) of a Conversation With the Assistant Chief of Staff, G-2 (Strong)

[WASHINGTON,] October 28, 1942.

General Strong telephoned me today. He said that General Chu, Chinese Military Attaché, had requested to see General Marshall. When it was pointed out to General Chu that Military Attachés ordinarily come to General Strong and that General Marshall did not usually see them, he had based his request on the fact that at the last meeting of the Pacific War Council General Marshall had expressed his view that Burma should be retaken. General Chu was instructed by his Government to inquire of General Marshall whether he was still of the same mind.

General Strong took the matter up with General Marshall who agreed to see General Chu and repeat the views which he had stated in the Pacific War Council, though of course in his personal capacity.

General Strong thought we ought to know. I thanked him warmly for keeping us informed. General Strong said he objected to Military Attachés taking up political matters with Chiefs of Staff. He did not allow his own men to do this and he did not like to start it as a precedent.

I said we were very appreciative of that attitude. In the present case there seemed to be no harm in it, and there was good reason for showing consideration to the Chinese Military Attaché at this time. Conceivably, also, the quasi-political character of the Pacific War Council might entitle this particular request of General Chu to consideration.

A[DOLF] A. B[ERLE], JR.

740.0011 Pacific War/2936

The Ambassador in China (Gauss) to the Secretary of State

No. 705

CHUNGKING, October 29, 1942.

[Received November 25.]

SIR: I have the honor to enclose a copy of a despatch³⁵ prepared by the Consul at Kunming³⁶ in regard to Japanese military activity in western Yunnan and related matters.

With regard to Consul Ludden's reference to a contemplated offensive against Burma early in 1943, the Embassy has no detailed or authoritative information. It understands that such an offensive has been under discussion and that it is with this idea in mind that

³⁵ Not printed.³⁶ Raymond P. Ludden.

Chinese troops are now being transferred by plane from Kunming to India, there to be equipped with lend-lease materials and given special training. It is understood that there are now in India approximately 10,000 Chinese soldiers who escaped from Burma and that something over 20,000 more soldiers will be flown to India from Kunming.

From a non-military point of view the plan for the transfer of a considerable Chinese army to India for an offensive against Burma seems to have an element of impracticability about it but the Embassy, although it has reservations on the subject, does not have the sufficient facts regarding the military situation in the area to warrant it in passing judgment.

With regard to the general subject of an early offensive against Burma the Embassy in its telegram no. 936, August 13, 1 p. m., expressed the opinion *inter alia* that plans for retaking Burma would seem to be premature and impracticable. Recent developments of which the Embassy is not aware may have altered the situation. The Embassy doubts whether the Chinese army is prepared to cooperate effectively in carrying out the offensive moves from Yunnan down the Burma Road and from Yunnan against Indo-China which are mentioned in Consul Ludden's despatch.

Respectfully yours,

C. E. GAUSS

811.24/1695 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, November 5, 1942—6 p. m.

[Received November 6—8: 15 a. m.]

1288. Dr. T. V. Soong in first press conference since assumption of post as Foreign Minister told foreign and Chinese correspondents on November 3 that American war production was incredible and that he was tremendously impressed by efforts and spirit of American people and by large American army being built; that China desired establishment of United Nations Executive Council from which would evolve international instrument for dispensing justice and enforcing law and order among nations during and after the war; that China will recover Manchuria and Formosa and Ryukyu Islands after the war and Korea will be independent; that towards submerged nations China had responsibilities but no rights and that China did not aspire to be leader of Asia with aim at domination; that there is no need for China to borrow money from America at present; and that post-war China will concentrate on gigantic program of economic development in agriculture [and] industry.

GAUSS

*Generalissimo Chiang Kai-shek to President Roosevelt*²⁷

CHUNGKING, 16 November, 1942.

MY DEAR MR. PRESIDENT: I wish to express my heartfelt appreciation of Your Excellency's having extended facilities enabling my wife to go to America for medical treatment and to have the opportunity of meeting you and Mrs. Roosevelt. I feel that through her, I am having the pleasure and honor of visiting you myself.

Madame Chiang is not only my wife, but she has been for the past fifteen years a comrade and partner who has shared dangers and braved death with me. She knows my mind and heart as thoroughly as it is humanly possible for one person to understand those of another. I hope, therefore, that you will talk as freely and fully with her as you would with me. I have every confidence that through her visit the personal friendship between us will be further deepened and that the relationship between our two great countries will be further strengthened.

With warm personal regards to you and Mrs. Roosevelt,

Yours sincerely,

CHIANG KAI-SHEK

893.20/764½

*Memorandum by the Adviser on Political Relations (Hornbeck)*²⁸

[WASHINGTON,] November 19, 1942.

It appears that late in February or early in March 1942, in the course of a conversation between the President and Dr. T. V. Soong there came up a suggestion that Chiang Kai-shek send to this country a highly qualified military representative; and that the President expressed to T. V. Soong a desire that that action be taken. Thereupon T. V. Soong apparently informed Chiang Kai-shek of this conversation and urged that such a military representative be sent at once. [At that time the Chinese Ambassador informed Mr. Hornbeck of those developments, saying that he, the Ambassador, felt that this was not a desirable course but that he understood that the President had indicated that he especially desired that this be done, under which circumstances, he said, he and his associates could not oppose it.]²⁹

²⁷ Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y. In a memorandum of March 5, 1943, President Roosevelt said: "This letter is in the handwriting of the Generalissimo and was brought to me by his wife. The translation is by her. F. D. R."

²⁸ Attached is a memorandum by Mr. Hornbeck to the Secretary of State dated November 19, which states: "My office and FE suggest that you might hand this dossier to the President with a suggestion that he hand it to the Secretary of War—for reference by the Secretary of War to the Chief of Staff."

²⁹ Brackets appear in the original.

On March 11 the American Ambassador at Chungking telegraphed the Department ⁴⁰ that announcement of the personnel of the Chinese Military Mission which was to go to Washington had been made on the previous day at a press conference and the Embassy, upon request from the Foreign Office, had issued diplomatic visas for eight persons named. In that telegram there followed brief sketches, with comments, of the members of the Mission. With regard to General Hsiung Shih-hui, Mr. Gauss stated, "It appears that his place in the confidence of the Generalissimo rather than ability as a military man determined his selection". [The fact that General Hsiung has the confidence of the Generalissimo has been affirmed and emphasized by several persons, including Dr. Hu Shih ⁴¹ and Dr. George Shepherd (a Canadian national who has long resided in China and who is known to have been for a long time a close confidant and adviser of the Generalissimo and Madame Chiang)].^{41a}

General Hsiung and his staff arrived in Washington in early April. It apparently was General Hsiung's concept that his business was with military authorities and that he need not concern himself regarding other possible contacts. He did not call at the State Department or upon any officer thereof. Late in May or early in June the Chinese Ambassador informed Mr. Hornbeck that General Hsiung had been in Washington for some weeks and had been shown little or no attention by anyone and was becoming discontented and restless. At about that time there appeared in the New York press a story apparently based on an interview or a press conference in which emphasis was laid upon the desirability of better coordination of action among the Allies and an account was given of General Hsiung's mission to and presence in this country and of the fact that no attention had been paid him and no use been made of him. The Chinese Ambassador said to Mr. Hornbeck that this situation was unfortunate in as much as General Hsiung had come to this country on invitation of the President, and the Ambassador hoped that something might be done to improve the situation. Mr. Hornbeck asked the Ambassador to give him an informal memorandum stating the facts as the Ambassador understood them. The Ambassador undertook to do this. Several days later, no memorandum having arrived, Mr. Hornbeck repeated his request for a memorandum. The memorandum never came. It was obvious that the Ambassador did not wish to be involved. In that same connection, Mr. Hornbeck suggested that the Ambassador bring General Hsiung to call on Far Eastern officers of the Department and indicated that in due course he would try to

⁴⁰ Telegram not printed.

⁴¹ Former Chinese Ambassador in the United States.

^{41a} Brackets appear in the original.

arrange for the Secretary to receive General Hsiung. The Ambassador did not follow up on this suggestion.

Some weeks later, Mr. Lattimore⁴² talked to Mr. Hornbeck about General Hsiung's discontent. Mr. Hornbeck informed Mr. Lattimore briefly of antecedents in the situation and told Mr. Lattimore that officers in the Department would be more than glad to receive General Hsiung. Mr. Lattimore said that General Hsiung felt that officers of the Department should call on him first. Mr. Hornbeck then took the matter up with the Chinese Ambassador and through the Chinese Ambassador invited General Hsiung to meet him and the Chief of the Far Eastern Division, Mr. Hamilton. That meeting took place within a few days, and shortly thereafter Mr. Hornbeck and Mr. Hamilton called on General Hsiung at General Hsiung's residence in Chevy Chase.

Mr. Hornbeck thereafter took occasion to bring the problem of General Hsiung to the attention of the Joint Intelligence Committee, with suggestion that appropriate officers of the Army give consideration to the political and psychological angles of this matter. Mr. Hornbeck and Mr. Hamilton arranged for the Secretary to receive General Hsiung, and that arrangement was carried out.

It is understood that General Marshall has received General Hsiung at intervals and that General Hsiung has attended meetings of the Joint Staff once a month at which he and other invited visitors are asked and encouraged to make reports. [It is understood that General Hsiung has expressed an opinion that these meetings are a "waste of time".]⁴³ With regard to treatment accorded under the categories of protocol and social hospitality: — General Hsiung when he came to Washington chose to take a residence in Chevy Chase (directly north of the Chevy Chase Club); he has established no office or place of rendezvous in downtown Washington. Notwithstanding the matter of distance, it is understood that high officers of the Army and the Navy have duly called on General Hsiung. On October 10 (China's "Independence" day), some 400 persons, mostly from official life, including the highest officers of the Army and the Navy attended a reception given at his residence by General Hsiung. General Hsiung's presence at various "parties" has been noted by officers of this Department: for example, at a party given by General Deane at the officers club at the War College, at a party given by General Chu⁴⁴ at his residence in Bethesda, parties given by foreign diplomats, two parties given by Mr. Hornbeck (one of which was for General Hsiung). General Hsiung is known to have been entertained by a number of prominent people in New York.

⁴² Owen Lattimore, Political Adviser to Generalissimo Chiang Kai-shek, 1941-42.

⁴³ Brackets appear in the original.

⁴⁴ Gen. Chu Shih-ming, Chinese Military Attaché in the United States.

It appears that General Hsiung regards himself as a personal representative of Chiang Kai-shek and that he regards his presence in Washington as more important than that of the Chinese Ambassador and the Chinese Minister for Foreign Affairs. On the political and military side it apparently is his belief that China's position as an active participant in the United Nations war effort is not given the attention which it deserves. Chiang Kai-shek has, as we know, constantly contended for closer cooperation on the part of the United States, Great Britain, the Soviet Union and China in the fields of military planning, command and operations. General Hsiung apparently desires that such cooperation be effected and be signaled by his being taken into the organization of the Combined Chiefs of Staff. The fact that China is represented in the Pacific Council (by T. V. Soong) apparently does not, in the thought of Generalissimo Chiang and General Hsiung, constitute representation of China in the military councils of the Allies.

The problem presented in this case is political and psychological. It involves and calls for action taking adequate account of Generalissimo Chiang's and General Hsiung's personalities, characteristics and susceptibilities. The handling of it devolves primarily upon the War Department and the Army.

There is little if anything that the Department of State can do over and above what it has already done in relation to this matter. It may, however, be not inappropriate for us to suggest that the paying by the President of some attention to General Hsiung might be helpful. The President could, probably more effectively than any other person or group of persons, explain to General Hsiung the existing setup with regard to planning, command and operations, and the considerations on which that setup rests. Granting by the President to General Hsiung of an interview would give General Hsiung "face", which apparently is something which he feels has been denied him and to which he apparently aspires. [The factor of "face" is of tremendous importance in dealing with the Chinese—even to the nth person, the Generalissimo].⁴⁵ Arrangement by some agency high within the Army organization to accord General Hsiung at least a semblance of regular participation in some type of deliberative and/or consultative activity would also, it is believed, be helpful.

Whatever may be our feelings on the subject of the reasonableness or unreasonableness of General Hsiung's (and Chiang Kai-shek's) concepts, desires, discontent, et cetera, four simple facts which are of importance need to be kept in mind in our consideration of ways and means: (1) General Hsiung is of the "old school" among Chinese dignitaries, which school sets great store by courtesies and everything con-

⁴⁵ Brackets appear in the original.

nected with "face"; (2) General Hsiung is a close personal friend, confidant and trusted adviser of Generalissimo Chiang; (3) practically all Chinese officials are now substantially influenced by the running tide of Chinese nationalism and are sensitive on the subject of China's importance; (4) General Hsiung is reputed to be a man "who makes friends and foes and keeps them".

It may be added that, although he does not speak English, General Hsiung has a good interpreter, is studying and has quite a little understanding of English, has an agreeable manner, and is easy to converse with.

740.0011 Pacific War/2938a : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, November 20, 1942—6 p. m.

1118. As you are aware I have been following the practice of having talks from time to time with the representatives in Washington of the United Nations, including, of course, the Chinese Ambassador, for the informal interchange of information and comment in regard to current matters. My idea is to meet with the Chinese Ambassador periodically, perhaps once a week and when Dr. Soong returns to Washington, I shall expect to ask him to call with the Ambassador.

The primary purpose I have in mind in connection with these talks is to keep in as close diplomatic touch as possible with the Chinese Government in order that the cause of our common war effort may be furthered by increasing, if possible, a spirit of mutual understanding and confidence between the United States and China. In this way I hope that both countries may be encouraged to put forth greater efforts in the long struggle which lies before us before victory can be achieved.

I want to impress upon our Allies that the United States is, of course, resolved to carry on the war to a complete victory, and that while we have a full realization of the grim task that still lies ahead, our confidence in the ultimate success of the United Nations rests on hard facts. These facts are, as events are already showing, that we of the United Nations have the resources in man power and material and have the ability and determination to use them in action which will decide the final issue.

It is my opinion that, while in the partnership in which we are associated the burdens cannot always be evenly distributed, each of the United Nations—and especially the principal ones—has its part to play and can contribute materially to the goal to which we all have unreservedly and completely dedicated our military, economic, and political effort. The full cooperation of the principal United Nations to the fullest extent of the ability of each will enable us all to press

the [war] more quickly to a decisive conclusion and by so doing we may confidently hope to cut materially the sum total of the sacrifices which each would otherwise have to make.

I am sure that the leaders among all the United Nations realize that the maintenance of a united front is a matter of such supreme importance to the effectiveness of our war effort that all of us should be constantly on the alert to make that united front impervious to efforts of our enemy to penetrate it. We must not allow ourselves to be influenced either by propaganda which is deliberately designed to create dissension, mistrust and confusion among the United Nations or by the loose talk of irresponsible and ill-informed persons, which in its effects is sometimes no less insidious than propaganda inspired by the enemy. We should all put forth our best effort to the end that in our countries there is the least possible criticism of any other of the Allies or of Allied high officials.

I have already communicated to you some of the general remarks I took occasion to make to the Chinese Ambassador here on November 10⁴⁶ when he called in connection with our draft treaty on extraterritoriality. I shall endeavor to keep you informed of the course of future conversations with him as they relate to my thoughts which are outlined above. I am sure that you for your part at the seat of the Chinese Government will put forth every effort to further the cause of attaining more intimate and more friendly relations with the Chinese Government and will in your discretion do whatever seems feasible in your association with high officials of the Chinese Government to supplement in Chungking the efforts which I and my associates in the Department are making here. I shall, of course, be glad at any time to have your comment in regard to matters of this sort. As you know, your reports are liked and appreciated here and your opinions and comment are studied with attention.

HULL

740.0011 Pacific War/2959

*Document Prepared in the Department of State*⁴⁷

[WASHINGTON,] November 27, 1942.

Reports from sources in the Far East and through U.S. channels bearing on the question of Japanese intentions in regard to a new offensive against China from Burma and/or Indochina.

[Here follows a descriptive enumeration of reports from October 10 to November 27 inclusive, emanating from military, diplomatic and

⁴⁶ See memorandum by the Secretary of State, November 10, p. 344.

⁴⁷ Apparently by the Adviser on Political Relations (Hornbeck); see Mr. Hornbeck's memorandum of November 28 to the Secretary of State, *infra*.

press sources, indicating possible Japanese intentions of mounting a new offensive against China from contiguous Southeast Asia territories.]

COMMENT: It is believed that present situation factors, including military and naval setup, climatic conditions, etc. in the Indochina-Thailand-Burma-Yunnan area are comparatively favorable for the launching of a Japanese offensive against Yunnan. Recent estimates of Japanese intentions have run to the effect that the Japanese are not likely to move in the near future against the Soviet Union or against India; it would appear that current operations in the Solomons need not make a drain upon Japanese land forces available for operations from Burma and/or Indochina into Yunnan; Japanese air forces in Indochina, Thailand and Burma would appear to be sufficient for the covering of such an operation; there therefore would appear to be no substantial reason why the Japanese should *not* make such a move at this time. In the light of their reverses elsewhere and of their knowledge that American, British and Chinese strengths are increasing in the China-India area, there would appear to be logical warrant for the launching by the Japanese at this time of an offensive intended further to isolate China (by cutting lines of communication) and, if successful, to eliminate the major bases (Kunming—and even Chungking) from which Chinese operations are directed and on which the operations of the U. S. air forces in China are based.

740.0011 Pacific War/2959

Memorandum by the Adviser on Political Relations (Hornbeck) to the Secretary of State

[WASHINGTON,] November 28, 1942.

MR. SECRETARY: Herewith material bearing on the question of a possible Japanese offensive from Burma and/or Indochina against China (Yunnan Province).⁴⁸

You might care to say to the Secretary of War that you have been watching reports bearing on this question—which is now beginning to be discussed in the American press—and that, although the comments from the field indicate skepticism, you have noted that the U. S. military attaché at Chungking is reported to have expressed opinion that there is a possibility of such an attack and has indicated that informed sources agree that preparations in China for defense of Yunnan are inadequate and that if Kunming were lost the Chinese might be compelled to move their capital from Chungking; and you might add that the subject would appear to be one upon which the War Department might to advantage give serious consideration.

⁴⁸ *Supra.*

You might care to hand the Secretary of War a copy of the memorandum but without the last page (the page giving "Comment"). I should like with your authorization to hand a copy, with the Comment, informally and unofficially to the chairman of the J.I.C.⁴⁹ committee on which I serve, with a request for his comment.

S[TANLEY] K. H[ORNBECK]

123 G 231/582 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, December 4, 1942—11 a. m.

[Received 8:20 p. m.]

1430. In a friendly private conversation with me yesterday afternoon Foreign Minister Soong on his own initiative referred to an article regarding me in Washington Merry-Go-Round of October 28,⁵⁰ which he described as "clumsy propaganda" and said that the article had come to the notice of the Generalissimo who had desired Soong to tell me that the statements in the article regarding Chiang's attitude toward me were entirely untrue.

GAUSS

740.0011 Pacific War/3067

*The Consul at Kunming (Ludden) to the Ambassador in China (Gauss)*⁵¹

No. 29

KUNMING, December 16, 1942.

SIR: I have the honor to refer to my despatch no. 11 of October 22, 1942 "Japanese Military Activity in Western Yunnan"⁵² in which reference was made to proposed offensive operations aiming at the recapture of Burma early in 1943 and to present below certain information with regard to active steps which are now being taken in this area to implement plans for an offensive.

Although it has not been definitely settled it is expected that operations originating in Yunnan will be under the command of General Joseph W. Stilwell and will be in conjunction with a simultaneous offensive movement originating in India and under the command of General Archibald Wavell, British Commander-in-Chief in India.

⁴⁹ Joint Intelligence Committee.

⁵⁰ Drew Pearson had reported that it was an inescapable fact that Generalissimo Chiang Kai-shek did not like Ambassador Gauss and would like to have him replaced.

⁵¹ Copy transmitted to the Department by the Consul at Kunming; received January 13, 1943. Noted by the Secretary of State.

⁵² Not printed.

In the near future Central Government units will commence to move into this province from Wan Hsien, Changsha, and various other parts of China. It is anticipated that this force will eventually total thirty divisions. It is understood, however, that there is still a certain amount of disagreement between the Chinese military authorities and General Stilwell as to the units to be moved and there also appears to be some divergence of opinion between General Stilwell and the Chinese military authorities as to the amount of artillery that the force should have at its disposal. It is alleged by American officers closely connected with the preparations now under way that there is reluctance on the part of the Chinese to make available to the force artillery in quantities sufficient to satisfy the wishes of General Stilwell.

The bulk of the force will take up positions in western Yunnan along the line of the Burma Road, but a certain portion of it will be stationed in the Mengtze area, southeast of Kunming on the Indo-China Railway, for possible use in a diversionary attack against Indo-China when offensive operations westward along the Burma Road are opened.

As Central Government units arrive in Yunnan it is planned to attach American Army officers to the headquarters of the various units. It is not known at the present time to what extent this plan will be followed, but it is expected that the American officers thus attached will number approximately one hundred. Certain of the officers have already arrived in India and for the time being are at the Chinese Expeditionary Force Training Center at Ramgarh until Central Government units begin to arrive in Yunnan. The remainder of the American officers are expected to arrive at Karachi from the United States about January 15th. At least a portion of the officers have served previously in China.

The position of the American officers with Chinese units has not been made clear other than that they will have no tactical duties. From conversations with some of the American officers who will take part in the proposed campaign, I gather that the theory behind the presence of the American officers is that their mere physical presence at various Chinese headquarters during the course of the campaign may dissuade high ranking Chinese officers from disobedience of orders at critical moments or from precipitate departure from the scene of action which, it is alleged, so unfortunately featured the collapse of the Chinese Sixth Army during the last Burma campaign. The American officers will of course also serve in an advisory capacity. In addition to officers attached to tactical units, American supply officers will be attached to the Chinese Service of Supply.

The question of supply is one which is receiving attention and close cooperation is planned between the American Service of Supply at

Kunming and the Chinese supply organization. I have been informed that during his recent visit to Kunming, Mr. T. V. Soong assured General Stilwell that China Defense Supplies flown from India would be used for the offensive operations planned in Yunnan and not diverted to other areas.

The proposed offensive against Burma has been delayed to a large extent, according to American sources, by the reluctance of General Wavell to commit his forces to such a campaign while the situation in the Middle East remained obscure. Now that Axis forces have been driven from their threatening position close to the Suez Canal it is understood that General Wavell is prepared to act against the Japanese in Burma.

It now appears that the previous proposal for an offensive against Burma from Assam down the Chindwin Valley has been abandoned and that the main attack will now be made from a bridge head to be established at some point on the coast of Burma, possibly Akyab. Such action presupposes adequate naval protection which is stated to have arrived already at Trincomalee in Ceylon, having been released from the Mediterranean Sea following recent Allied successes in that area. The total force involved on the Indian sector of the attack is unknown, but will include approximately 30,000 Chinese troops who are now undergoing training with American equipment at the Chinese Expeditionary Force Training Center at Ramgarh. As stated previously, the force operating on the Yunnan sector of the attack will total approximately thirty Chinese divisions.

Because of the delay mentioned, time is growing short and it is necessary that the offensive be pressed to a conclusion before the monsoon rains halt operations about the middle of next May. There appears to be some apprehension on the part of American officers connected with the present plans that there has been too much delay and too much talk in India with regard to the offensive and they feel that the initiative may be taken from Allied hands by a Japanese attack in Yunnan before sufficiently effective forces can be moved to the Salween River front to carry out the plan.

As previously reported in my despatch no. 23 of November 25, 1942 "Chinese Military Strength Along Salween River",⁵³ the Chinese troops at present in that sector are not believed to be able effectively to halt any determined Japanese drive up the Burma Road because of inadequate equipment and general physical debility.

Although there has been some minor Japanese military activity north of Tengyueh in recent weeks, very probably looting forays, it is not believed that the Japanese are planning a crossing of the Salween in the immediate future. Aerial reconnaissance by American pilots confirm this belief.

⁵³ Not printed.

At the present time it is estimated that there are approximately 100,000 Japanese troops in Burma, or about six divisions. Although definite information is not available it is thought possible that the Japanese now have either rail or highway routes in operation from Saigon to Mandalay via Bangkok and are in position effectively to reinforce their Burma garrison with great speed in case of necessity.⁵⁴

Respectfully yours,

RAYMOND P. LUDDEN

*Draft of Letter From Mr. Owen Lattimore to Generalissimo Chiang Kai-shek*⁵⁵

DEAR GENERALISSIMO: Several days ago I had an interview with the President in which I mentioned to him your views on certain matters as you discussed them with me just before I left China. The President asked me to draft a telegram to be approved by him and sent through Currie's code. The following telegram has accordingly just been sent.

The President wishes me to convey to you in the most cordial and sympathetic way that he feels that there is a basic similarity, indeed a basic agreement, between the way in which he is thinking about these major problems and the way you are thinking about them. This is a great encouragement to him, because when two men are alike in their way of thinking, it is always easier to come to similar solutions, even when the problems that have to be solved are very difficult. In order to avoid any possibility of confusion when these problems, in due course of time, come to be discussed through regular channels, the President does not wish to embarrass you by seeming to commit either you or himself in advance. However, broadly speaking, this is the way in which his mind is running.⁵⁶

1. [I told the President that broadly speaking the following is the way my mind is running.]⁵⁷ *Southern Pacific and Southeast Asia.*

⁵⁴ In a memorandum of January 20, 1943, addressed to the Secretary of State and the Under Secretary of State (Welles), the Chief of the Division of Far Eastern Affairs (Hamilton) observed: "This despatch is extremely interesting and merits reading in full. M. M. H.". The Adviser on Political Relations (Hornbeck) commented in a memorandum of January 23, 1943: "The information . . . although exceedingly interesting, would seem in large measure to be 'washed out' by current news to the effect that General Wavell takes the position that a campaign for the retaking of Burma cannot be undertaken until after the situation in North Africa has been completely cleared up. S. K. H."

⁵⁵ Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y. Draft submitted to President Roosevelt with memorandum of December 18, 1942 from Lauchlin Currie, who explained that the letter when approved by the President would be signed by Owen Lattimore and carried to China by the new Naval Attaché (Lt. Col. Charles C. Brown, U. S. M. C.) "which should insure its safe and uncensored delivery." President Roosevelt, who revised the draft, in a memorandum of December 22 asked his Military Aide, General Watson, to arrange for Mr. Lattimore to see him on December 23 or 24, when the draft letter should be available.

⁵⁶ This sentence deleted by President Roosevelt.

⁵⁷ Bracketed sentence inserted by President Roosevelt.

In certain colonial areas it will hardly be desirable to restore the previous regimes in full, even if that were possible. It may be possible in many instances to find a solution through a new legal application of the concept of trusteeship. Some such trusteeship might be entrusted to a single nation, others to boards of trustees composed of nationals of several nations. These boards of trustees would represent an advance over the mandate of the League of Nations because they could be used to define more clearly the importance of time and the principle of "coming of age." This would be analogous to the principle of successive stages of self-government embodied in the American schedule for Philippine independence. The President finds [*tells me*]⁵⁸ that Mr. Churchill heartily welcomes [*is interested in*]⁵⁸ the principle of trusteeship.

2. *Southern Pacific.* Like you, the President is convinced [*I suggested to the President*]⁵⁸ that for the western Pacific from about the latitude of French Indo-China to about the latitudes of Japan, the principal major powers concerned will be China and America.⁵⁹ After this war we shall have to think of China, America, Britain and Russia as the four "big policemen" of the world. Only if they work together can they have uniformity of practice in working out a method for the periodic inspection of the armaments of all countries in order to prevent surreptitious re-armament for purposes of aggression. China and America have obvious qualifications as the most responsible powers in a large area of the western Pacific. In the northern part of the Pacific, however, where American territory approaches closely to Siberia, Korea, and Japan, it would be undesirable to attempt to exclude Russia from such problems as the independence of Korea. To isolate Soviet Russia in this area of the world would run the danger of creating tension instead of relieving tension. South of Korea the question of actual bases from which China and America might protect the peace of the western Pacific is one of those details which may well be left for later consideration. The President is much impressed by your clear view that only bases in the two key areas of Liaotung and Formosa can effectively coordinate land, sea and air power for the long term prevention of renewed aggression.⁵⁹

The President is delighted by the friendship that has sprung up between his wife and Madame Chiang and is looking forward eagerly to Madame Chiang's visit to the White House.

In conclusion, let me add that I am leaving in a few days to take⁶⁰ up my new duties in charge of the Pacific Bureau of the Office of War

⁵⁸ Bracketed revision by President Roosevelt.

⁵⁹ This sentence deleted by President Roosevelt.

⁶⁰ The words "am leaving in a few days to take" were revised by Lauchlin Currie to read "have taken."

Information in San Francisco. It will, therefore, be some time before I can communicate directly with you again, but I look forward to the hope that I may at some time in the future serve under you once more.

Yours very sincerely,

740.0011 Pacific War/3014: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, December 23, 1942.

[Received December 23—4: 58 p. m.]

1541. Chang Tao-fan, new Minister of Information, in first press conference since assumption of office stated China received news of offensive in Burma with delight and that he hoped drive would mark beginning of organized offensive against Japanese in Burma. In reply to question concerning possible cooperation of Chinese forces in Yunnan with Allied forces invading Burma he stated that question [was] one for military strategists but that he believed Chinese forces fully prepared to join in such action when opportunity arises. He asserted that psychological effect on Chinese people of recapture of Burma would be so tremendous that result would be not only reopening of Burma road but also hastening of United Nations victory. Minister in reply to question concerning American aid to China said flow of supplies to China depended chiefly on transportation and that "China is doing her best to put every available means of transportation into service in order to accelerate flow of materials into this country". He stated that China hoped that more transport planes would be made available for her use, for that would solve an important part of China's needs.

GAUSS

740.0011 Pacific War/2959

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] December 26, 1942.

Reference, memorandum of November 27, 1942 on the subject of Japanese intentions in regard to an offensive against China from Burma and/or Indochina.

Items which have become available since November 27, a series of which is here attached,⁶¹ relating in whole or in part to the subject of the memorandum under reference, show that:

1. For many weeks the Chinese military spokesman at Chungking

⁶¹ None printed.

continued publicly to express an opinion that the Japanese were increasing their forces in Burma for the purpose of undertaking an attack upon Yunnan Province, China;

2. Chinese Military Intelligence sources and English and American military officers in the Far East continued to estimate that Japanese military activity in Burma indicated no large increase of forces in that area and was primarily defensive in character; and

3. On December 23, 1942, the Chungking radio broadcast reported the Chinese military spokesman as saying: "The new Japanese activity on the Burma-Yunnan border is not likely to lead to any immediate wide scale action".⁶²

S[TANLEY] K. H[ORNBECK]

740.0011 Pacific War/3030: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, December 30, 1942.

[Received December 30—9:25 a. m.]

1567. Doctor K. C. Wu, Political Vice Minister for Foreign Affairs, acting as Government spokesman at weekly press conference December 29, stated China faces new year with brightest future from military, political and economic standpoint but hopes that Allied counter offensive can soon be launched in Far East; that Chinese resistance for 5 years has proved China's ability to withstand alone Japanese onslaught so far as war in China was concerned; that Chinese prosecution of war was hampered by shortage of material necessary for large scale counter-offensive; that China will immediately counter-attack and recover lost territory if furnished equipment; and that "we hope that the material promised us will be forthcoming." He asserted that United Nations have tendency to over emphasize European front while under emphasizing war in Asia; that war in Europe has reached turning point with operations in North Africa and Russian successes; and that while Americans and Australians have "shown up very well" in South Pacific they have not started counter offensive; and concluded with warning against complacency and over optimism, stating last lap of journey is usually the hardest.

GAUSS

⁶² See memorandum of January 4, 1943, by the Chief of the Division of Far Eastern Affairs (Hamilton) to Mr. Hornbeck, p. 190.

811.917/234

The Secretary of State to the Ambassador in China (Gauss)

No. 185

WASHINGTON, December 30, 1942.

The Secretary of State refers to enclosure no. 1 of the Embassy's despatch No. 693, dated October 21, 1942 concerning a Chinese complaint regarding adverse criticism appearing in American periodicals, indicating some misunderstanding on the part of Second Secretary O. Edmund Clubb, with reference to the operation of American censorship.

In his conversation with Mr. Shao Yu-Lin, Mr. Clubb stated that it was his opinion that censorship of information was not performed by the OWI but was effected through such particular agencies as the War Department, State Department, and the Navy Department.

In this connection reference is made to Diplomatic Serial Number 3524 of July 3, 1942,^{62a} which transmits copies of the revised Code of Wartime Practices for the American Press, issued by the Office of Censorship, and that agency's press release of June 24, 1942 setting forth the reasons why the revisions contained in that code are necessary. There is enclosed for the information of the Embassy, the original Code of Wartime Practices for the American Press issued by the Office of Censorship on January 15, 1942.⁶³

The Office of Censorship under the direction of Mr. Byron Price, is the sole agency responsible for enforcing the Code just mentioned. The heart of that Code is that each journalist ask himself in reference to what he is writing: "Is this information I would like to have if I were the enemy?", and then act accordingly. If the writer is in doubt on this subject or if his material seems to him to come from doubtful authority or to be in conflict with the general aims of wartime censorship, the Code requests that he submit his article to the Office of Censorship. But unless his article is to be transmitted outside of the United States, through the open mail, by cable or by radio—in which case its submission to Censorship is automatic—he is under no legal compulsion to submit his piece to the Office of Censorship. Thus, the operation of wartime censorship in this country is on a purely voluntary basis.

This Department exercises no direct functions in regard to censorship, but occasionally the Office of Censorship refers to the Department of State articles or news stories of a questionable character, merely for guidance as to whether or not such articles or news stories would be detrimental to the foreign policy of this Government. The suppression, or even revision, of any such article or news story may not be effected unless it is in violation of a specific clause of the Code of Wartime Practices for the American Press.

^{62a} Not printed.

⁶³ Not attached to file copy of this document.

740.0011 Pacific War/2959

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton) to the Adviser on Political Relations (Hornbeck)*⁶⁴

[WASHINGTON,] January 4, 1943.

MR. HORNBECK: Reference is made to the underlying memoranda⁶⁵ in regard to a possible offensive against China from Burma and/or Indochina.

Without considering the factual likelihood of an immediate attack on Yunnan Province, it may be pointed out that the Japanese probably have one strong incentive for making such an attack, in addition to the objectives usually mentioned of (1) closing the back door of China to foreign aid, and (2) making a drive on Chungking feasible. This third objective would be the opening of a land route from Haiphong to Rangoon, using existing rail and highway facilities. While the Haiphong-Kunming railway has been partly destroyed by the Chinese for a distance of possibly 200 kilometers northward from the Indochina-Yunnan border (rails have been taken up in this stretch, bridges and tunnels largely demolished), the Japanese could probably put the entire Yunnan section of the line into operation within a reasonable length of time by the use of impressed coolie labor. The roadbed has not been effectually destroyed. From Kunming the Burma Road leads directly to the Japanese-held railhead at Lashio, Burma. Control of this route would reduce considerably the strain on Japanese shipping while affording ready means for supporting defense of Burma against Allied attempts to reestablish a land route to China through Burma or an offensive against India.

The possibility of Japanese success in occupying this new route is probably greater than would be the chances of complete seizure of the Peiping-Hankow-Canton rail line as part of a land route from Korea to Bangkok (or Singapore). The eastern Yunnan terrain is considered by many commentators as impossible for military advance, given characteristic Chinese resistance. However, the Japanese attack from Indochina would probably be a holding operation to divert Chinese forces, while the main drive would be along the Burma Road. The capture of Kunming from this direction, which is not regarded as impossible, would then probably nullify the Chinese resistance in eastern Yunnan, as Japanese forces could thrust down the railway or roadbed from Kunming to complete a pincers movement against Chinese troops in that area.

M[AXWELL] M. H[AMILTON]

⁶⁴ Drafted by Troy L. Perkins, of the same Division.

⁶⁵ For memorandum of December 26, 1942, by Mr. Hornbeck, see p. 187; other annexes not printed.

POLITICAL CONDITIONS IN CHINA; SINO-SOVIET RELATIONS; ATTITUDE OF THE UNITED STATES TOWARD THREATENED KUOMINTANG-COMMUNIST CONFLICT

893.00/14834

*Memorandum by the Assistant Chief of the Division of Far Eastern Affairs (Salisbury)*¹

[WASHINGTON,] January 2, 1942.

The change of officials in the Chinese Government reported in Chungking's telegram No. 545 of December 29, 3 p. m.² should be alarming to this Government, for the reason that the growing strength of ultra-conservative or reactionary officials in the Chungking Government increases the possibility of Free China's giving in to the Japanese, at the worst, or, slightly less evil, relaxing their war efforts to the detriment of our part in the war.

This telegram is not the only evidence of a deteriorating situation in China. There is also evidence of discontent, inefficiency, and the like in Mr. Gauss's despatch no. 214 of November 17, 1941,³ enclosing an account of a visit to Szechwan, Shensi, Honan, and Hupeh by Jack Belden.⁴ We have had previously in other reports similar evidence of ineffective prosecution of China's war against the Japanese, including the placing of self-interest before national interest on the part of key men in the National Government.

Unless this Government takes some step intended to check the growth of this situation, we may find China out of the war—or practically out of the war—a development which would be most detrimental to our efforts. Should not consideration be given to the possibility, say when our next loan to China is made, of President Roosevelt's expressing to Chiang Kai-shek⁵ his perturbation over these developments? If this is not feasible, some action of some sort along these lines ought to be taken, especially in view of the fall of Manila, which will undoubtedly strengthen the peace party in Chungking and those officials who, even if they don't want peace, want to prosecute the war at a pedestrian level. Radio propaganda is not enough.

¹ Memorandum shown on January 5 to Lauchlin Currie, Administrative Assistant to President Roosevelt.

² *Foreign Relations*, 1941, vol. v, p. 553.

³ Not printed.

⁴ Jack Belden, American reporter and writer.

⁵ Generalissimo Chiang Kai-shek, President of the Chinese Executive Yuan (Premier).

Should not continuous thought be given to avoiding any action on the part of this and other allied governments which ignores Chiang Kai-shek and thereby causes him to lose "face" and to taking action which helps to give Chiang Kai-shek "face" in his relations with the allied nations? Should not consideration be given to the feasibility of having the British send into Yunnan Province a military force, say, an artillery unit, even though it be only of token size? Such a step would presumably please the Chinese authorities and give them a sense of unity with the other allied forces. India is not at present under attack and perhaps some Indian unit or units could be spared.

893.00/14834 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, January 3, 1942—7 p. m.

6. Your 527, December 24, 1 p. m.;⁶ 545, December 29, 3 p. m.;⁷ and related telegrams. Department desires to receive urgently any additional information and comment you may be in a position to offer in regard to Chinese morale and the significance of the changes recently made in Chinese Government personnel. In particular the Department would appreciate receiving your views on the extent of the dissatisfaction among political and military elements, the names of the more important personalities involved, whether the Generalissimo's authority has been to any extent weakened or undermined and whether the present apparent trend toward a passive or relaxed attitude reflects views of the Generalissimo or is in effect a product of a compromise forced by an opposition element.

HULL

893.00/14835 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, January 7, 1942—9 a. m.

[Received 10:56 p. m.]

22. Reference Department's No. 6, January 3, 7 p. m. As the situation clarifies we do not consider the recent government changes as indicating any schism in the government or party on the policy of resistance, or as a weakening of the leadership of Chiang Kai-shek. The appointments suggest simply an emphasis upon extending and strengthening party control.

The Kuomintang is a congeries of conservative personalities and cliques representing varying shades of opinion or indifference with

⁶ Not printed.

⁷ *Foreign Relations*, 1941, vol. v, p. 553.

regard to resistance to Japan, cooperation with the democracies, internal administration, and reform in both economic and political spheres. The common denominator of these various elements including the Generalissimo and his intimate associates is their determination to preserve Kuomintang control of the Government and people. Party tutelage as a means to an end has in great measure given way to one party control as an end. Leaders of the party appear to have a very real concern that the failure to solve internal problems such as those connected with local administration, land tenure, and the "people's livelihood" may after the war result in a formidable popular reaction against the party control. The party has for years given lip service to reform and improvement but little of tangible character has been accomplished. The strengthening of party control therefore has now become a matter of primary concern.

The following individuals and groups are prominent in the party: the "CC" clique (Chen Li-fu, brother, and adherents) who believe in a close party supervision over social affairs; Chu Chia-hua and adherents who work for strict party regimentation of a totalitarian type; the military element headed by Ho Ying-chin which is inclined toward party domination and military conservatism and is strongly anti-Communist; Tai Li who operates a formidable secret political police system; and the so-called political science group the adherents of which have the common characteristic of being predominantly Chinese in outlook. All of these groups recognize leadership in the Generalissimo who, also conservative, holds the dominant position but tempers his leadership toward harmony with all groups while insisting as a fundamental principle on resistance to Japan.

I am sanguine with regard to the role China will play in this war but I define the reasonable limits of that role until we ourselves turn back the tide of Japanese aggression as continuance of military resistance along the lines of the past four years and resistance to Japanese peace overtures or compromise.

GAUSS

893.404/86

Memorandum by Mr. Joseph W. Ballantine of the Division of Far Eastern Affairs

[Extracts]

[WASHINGTON,] April 16, 1942.

ISLAM AND CHINA

Recent diplomatic activity of the Chinese Government toward cementing closer relations with governments of the Moslem world, such as the conclusion of a treaty with Iraq, negotiations with Iran and the exchange of diplomatic representatives with Egypt recalls

China's long history of relations with the Arabs and the Turks. The convening on March 30 at Chungking of a national Moslem conference of representatives from sixteen provinces serves as a reminder that China has a considerable Mohammedan population.

At the conference mentioned General Pai Chung-hsi,⁸ chairman of the conference, called upon the "60 million" Moslems of China to band together in the cause of "resistance and reconstruction". General Pai's figure for the number of Moslems in China is undoubtedly greatly exaggerated. According to the *China Year Book* it is officially estimated that Mohammedanism is a religion of from 15 to 20 millions of people in China. Broomhall estimates their numbers at from 5 to 10 million. J. R. Mott's estimate in "Moslem World of Today" is 8 million. In view of the fact that nowhere except in certain sparsely populated areas such as Sinkiang and certain parts of Yunnan, Kansu, and Shensi do the Mohammedans constitute a majority or even a substantial minority of the population, it seems probable that the last named figure is most nearly accurate.

Nowhere in China has there developed an independent Moslem state. There have occurred in Chinese history a number of revolts against the Government by Moslem communities such as the Kansu Revolution in 1648, the Panthay Rise in Yunnan in 1855 and 1873, and the Tungan Rebellions in Shensi and Kansu in 1864 to 1867 and 1895 to 1896. These rebellions were all suppressed by wholesale massacres. The rebellions did not owe their origin either to religious fanaticism on the part of the Moslems or to any antipathy on the part of the Chinese to the practice of the Mohammedan religion but had a political basis.

Although the Mohammedan population of China hold tenaciously to their religion in an external sense, the doctrines of Islam sit lightly upon them. They do, however, abstain from eating pork, which is so conspicuous a part of the ordinary Chinese diet. Although no disabilities are placed upon Mohammedans for their religion they are marked from the rest of their fellow countrymen almost as clearly as if they were a separate nation. Everywhere they are a distinct and self-contained portion of the population. Nevertheless, individual Mohammedans have risen to prominence in Chinese officialdom.

Summary and Conclusion

It is apparent from the foregoing that the adherents of Islam in China, constituting as they do probably not more than two percent of the population, form a majority or substantial minority bloc only in Sinkiang, Kansu, Shensi and Yunnan. These adherents are largely

⁸ Deputy Chief of Staff of the Chinese Supreme National Defense Council.

found among populations which are non-Chinese in race or culture or which were converted to Islam before they were assimilated to Chinese culture. There is little prospect that the Moslem population will be able to increase its political influence in China.

Nevertheless, in as much as China ranks among the first eight Mohammedan countries in the number of Moslem adherents (the others being the British Empire, the Soviet Union, the Netherlands, France, Turkey, Egypt, and Iran), and especially in view of the fact that most of China's Moslem population is in "Free" China rather than in Japanese-occupied territory, China would seem to be in a position of advantage to promote pro-United Nations sentiment among other Moslem countries and communities in Asia and Africa and thus combat the spread of Axis influence in the countries of the Levant.

It is suggested that consideration be given to sending an instruction to our Ambassador at Chungking asking him in his discretion if a favorable opportunity should arise to discuss with Chinese officialdom the question of the feasibility of efforts by Chinese Moslem leaders and by Chinese diplomatic representatives in Moslem countries to promote pro-United Nations sentiment in the Islamic world. A draft telegram for consideration is attached.⁹

893.404/86 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, April 21, 1942—6 p. m.

307. According to radio reports, there was held at Chungking on March 30 a National Moslem Conference at which General Pai Chung-hsi, Chairman, urged Chinese Moslems to band together in the cause of reconstruction and resistance.

The idea suggests itself that the Chinese Government, by virtue of its having a considerable Moslem population, might be in an advantageous position to appeal to the Moslem world for support of the cause of the United Nations and thus help combat the spread of Axis influence in the Near East. Chinese diplomatic representatives in Mohammedan countries could probably render effective service in this direction. It would be better still if such efforts could be supplemented by selecting unofficial Chinese Mohammedan leaders to make tours to Near Eastern countries for this purpose.

The Department would appreciate an expression of your views on this subject. You may wish in your discretion to discuss it informally with officials of the Chinese Government should a favorable opportunity present itself.

HULL

⁹ *Infra.*

740.0011 Pacific War/2419 : Telegram

The Chargé in China (Vincent) to the Secretary of State

CHUNGKING, May 4, 1942—9 a. m.

[Received May 6—3:02 p. m.]

498. Reference Department's 307, April 21, 6 p. m. Conference in late March was of Chinese Moslem National Salvation Confederation, another loose union of various Chinese Moslem organizations. Emphasis was on internal problems of resistance to Japan and counteraction of Japanese efforts to win support of North China Moslems. There was no formal consideration of foreign relations although private disappointment was reportedly expressed that Chiang Kai-shek slighted Moslem leaders in recent visit to India.¹⁰

The purport of the Department's idea has been informally discussed with a number of Chinese officials. The Chinese Government is aware of advantages of closer relations with Moslem countries of Near and Middle East. (See Embassy's 321, April 2, 1 p. m.,¹¹ paragraph 3.) Treaties of amity were recently concluded with Iran and Iraq and agreements made to exchange envoys with Egypt. Nominations of envoys to all three countries is still under consideration. Chinese Government is now making renewed approach to Afghanistan Government through London. Relations with these countries have been based on geographical and political considerations. Chinese have intentionally avoided religious angle because of desire to keep this factor out of their treatment of and relations with Chinese Moslems.

While anxious to promote and develop close relations with Moslem countries, Chinese Government has no present intentions of further good-will missions. Two such missions toured Near East and Malaya in 1938 and 1939 under auspices of Moslem Federation. Study by Chinese in Egypt and Turkey and pilgrimages to Mecca have been stopped by war.

The dearth of well-educated influential and politically acceptable Chinese Moslems as well as travel difficulties rendered adoption of Department's suggestion impracticable. There are in fact no Chinese Moslems with suitable qualifications and experience to head diplomatic missions to Moslem countries. The Vice Minister of Foreign Affairs¹² informed me, for example, that Egypt had asked that Chinese Minister to Cairo be a Moslem but that Chinese Government was unable to comply. He added that when he came to the Foreign Office last summer, training of six Chinese Moslems for diplomatic service was undertaken. Two of these will be assigned to Cairo and other to Turkey, Iran and Iraq. He commented on the recent appoint-

¹⁰ Generalissimo Chiang visited India in February; see p. 761.

¹¹ Not printed.

¹² Foo Ping-sheung.

ment of an American Minister to Kabul and queried whether the American Government might not be able to support China's negotiations for diplomatic representation in Afghanistan.

VINCENT

893.00/14849

The Ambassador in China (Gauss) to the Secretary of State

No. 408

CHUNGKING, May 14, 1942.

[Received June 6.]

SIR: I have the honor to enclose a memorandum of conversation with Chou En-lai, official representative in Chungking of the Chinese Communist party. The conversation covered such matters as Chinese reaction to the recent allied defeat in Burma, the present condition of Communist forces, possible developments in the event of a Russo-Japanese war and the economic situation. With reference to Chou's observations on the strong elements in the Kuomintang, the Embassy hopes in the near future to be able to submit a report on this matter,¹³ giving its estimate and evaluation of the character of the present Kuomintang leadership.

Respectfully yours,

C. E. GAUSS

[Enclosure]

*Memorandum of Conversation, by the Counselor of Embassy in China
(Vincent)*

[CHUNGKING,] May 6, 1942.

I had an interesting and frank conversation yesterday with Chou En-lai, official representative in Chungking of the communist party.

His estimate of the reaction to and possible developments from the disintegration of resistance in Burma was in general conformity with the opinion I had previously formed based on conversations with other Chinese officials. He did not think that the Japanese had any intention of making a major drive toward Kunming from Burma. He interpreted the rapid motorization advance toward Paoshan as being primarily a foraging expedition. He felt that the Chinese forces in Yunnan would be able to cope with the situation.

He said that the defeat in Burma would have an adverse effect on morale primarily in official quarters but did not think it would be serious. Commodity speculators would no doubt take advantage of the situation further to boost prices and hoarding would increase

¹³ Transmitted subsequently to the Department in despatch No. 553, July 30, p. 211.

somewhat. He considered, however, that these effects would be temporary. He estimated that the cessation of shipments into China from Burma would not directly affect the livelihood of ninety-five per cent of the people and would have little indirect effect. Curtailment of motor transportation facilities in an effort to conserve gasoline supplies would be the most widely felt result of the severance of communications with Burma.

I mentioned reports of Japanese peace overtures to the Chungking government. He said that he had not heard of them. He expressed confidence that General Chiang was determined to continue resistance and said that there were no elements in the government with sufficient strength and influence to initiate an appeasement policy although there were some elements that might be inclined to do so. I asked him what he considered the strongest elements in the Kuomintang under Chiang. He enumerated them as follows: (1) Tai Chi-tao, President of the Examination Yuan. Tai had been quite a liberal in the early days of the Kuomintang but with the passage of years had become very conservative. He now had a political philosophy closely bordering on paternalistic monarchy. Chiang thought highly of him and was attracted by his ideas. (2) Chen Li-fu, his brother, Chen Kuo-fu (the CC clique) and Chu Chia-hua (Chen is Minister of Education and Chu Chia-hua is Vice President of the Control Yuan). These men have a strong influence in educational and party personnel spheres. They are ultra-conservative and are strong exponents of party discipline and the strengthening of party influence among the people. Chu Chia-hua has fascist leanings and Chen is strongly imbued with ideas of a Chinese renaissance under close Kuomintang supervision. (3) Chang Chun, Chairman of Szechuan and confidant of General Chiang, and the so-called Political Science group of which he is a leading figure. The so-called "members" of the "group" are generally Chinese officials with a conservative Chinese outlook, with a certain antagonism towards what may be called the "returned student" (from England and America) element. Many of the high provincial officials and many returned students from Japan are adherents of the group. They are not pro-Japanese however. They are pro-Chinese with a strong feeling for Chinese institutions and ways of life. (4) The military leaders of which Ho Ying-chin, Hu Tsung-nan and Ch'en Cheng are the outstanding. General Ho, as minister of War and Chief of Staff, has a strong position in army administration. There is not the suspicion between General Ho and General Chiang that is mentioned at times. General Hu is in direct or indirect command of the largest, best trained and best equipped army in China—approximately 440,000 men. His command extends from Loyang in Honan, through Sian in Shensi, and then northward to Lanchow in Kansu. He has direct access to General Chiang but his relations with General Ho are on an easy basis.

General Ch'en is commander of the important 6th War Area (Hupeh province) and is also very close to General Chiang. (5) The Soong family group. The antagonism between Kung and T. V. Soong weakens the group but Kung is dominant in the financial sphere and T. V. Soong is the strongest force in foreign relations. (6) Tai Li, who has various titles, but is actually head of the principal secret service organization in the country. He is close to General Chiang and exercises a strong influence through his extensive police organization said to number at least 40,000 men.

There are of course other elements but the foregoing constitute the strongest elements in the Kuomintang—the controlling elements. Chou said that none of them are animated by any well defined political philosophy or concepts. Their primary objective is to maintain the Kuomintang in control and, in so far as consistent with that objective, to increase their own influence within the Kuomintang.

Chou said that the "quarantine" of the Communist forces by Hu Tsung-nan's armies continued to be very effective. I asked him what he thought would be the developments in the northwest area in the event of a Russo-Japanese war. He said that he did not anticipate an early outbreak of such hostilities. He expressed fear that, if they did occur, the Chinese Government forces would not take advantage of the situation to start offensive operations in the north. He said that the Communist forces, numbering about a half million men, would request the National Government for equipment to undertake such an offensive. If this request were refused (he thought it would be), request would be made for small arms and ammunition for active guerilla operations in the north and northeast. Upon the refusal of this request (which he considered likely) the Government would be asked to agree to the Communist forces receiving military supplies from Russia. He said that such a request would place the National Government in an embarrassing position because it would not wish to agree—would probably not agree—but would find it very difficult to explain its position to the other immediately interested United Nations.

Chou said that, while an attitude of "wait and see" might be advocated by some Chinese officials, he felt that there was little actual "defeatism" in China and that by and large there was confidence in victory over Japan. He said the economic-financial situation was the most serious problem in unoccupied China; that it did more to depress morale than anything else, and that the Government should actively and immediately concern itself with ameliorative measures. He is an advocate of increasing the production of agricultural and other consumption goods as rapidly as possible without special regard for cost. He suggests land reform and reclamation and full support of industrial cooperatives as means of accomplishing these ends.

JOHN CARTER VINCENT

893.00/14868

The Ambassador in China (Gauss) to the Secretary of State

No. 478

CHUNGKING, June 22, 1942.

[Received August 14.]

SIR: I have the honor to transmit, as being of possible interest to the Department as a reflection of relations between the Kuomintang and the Chinese Communists, and as an example of a cruder type of Kuomintang propaganda, a recent copy of a semi-monthly paper, the *Liang Hsin Hua* (roughly translatable as "Honest Talk").

The chief object of this paper, judging from the emphasis on space and position, is propaganda against the Chinese Communist Party. Exactly the same terms of opprobrium are used for the Wang Ching-wei and Communist Border Region governments—both being referred to as *wei* (bogus or unauthorized)—but at least half of the leading articles, news items and total space of the paper are devoted to the Communists, while the remaining half is divided between the Wang Ching-wei and other puppet regimes, the Japanese, and general news, such as a story of the plight of "cultural workers" in Shanghai after December 8.

Translations of three of the leading articles of this issue are enclosed.¹⁴ Briefly: the first urges extension of National Mobilization to and the abolition of the special status of the Border Area (where mobilization is in fact already far more complete than it has ever been in Kuomintang controlled China); the second "exposes" the Communist system of local government by councils of family heads; the third describes the "pitiful condition of the farmers under the oppression of the Communists".

It is significant that the vision of the paper does not seem to reach beyond China. Although the Chinese Communists are damned, nothing is said of Russia. Japan is called a barbarous enemy, but only for its war on China. Despite the date of the paper—May 15, 1942—there is no mention of a world struggle against aggression, of China's part in it, or of the many nations united together with China.

It is well known that the press in China is rigidly controlled. There are both political and military censorship—by the Central Publicity Board of the Kuomintang and the Military Affairs Commission. In addition, all newspapers must be registered with the Ministry of Interior, and all publications sold in the city of Chungking must have the approval of the Municipal Government. In

¹⁴ Not printed.

Chungking the authorities make a pretense of "freedom of the press"—probably for the impression on foreigners—but deleted or partially censored editorials are not uncommon and outright criticism of the government or party almost unknown. Outside of Chungking the situation is reported to be worse. One effect of this control is to suppress much news; another is to discourage comment on domestic issues, leading to the often remarked unhealthy tendency to devote editorial comment to foreign affairs and, often, to criticism of China's allies. The "prize exhibit" of this freedom of the press in Chungking is the continuance in publication of the Communist supported *Hsin Hua Jih Pao*. But the control is so close that this paper rarely comments on internal affairs and, especially during the past few months, has gone for weeks at a time without any editorials at all. In view of its emasculated character, it is rather amusing that samples of it should have been included in a recent exhibit of "enemy propaganda" shown to students of the Central Training Corps, a school for party workers near Chungking.

Other indications of the closeness of this press control are the facts that Communist publications from the Border Area are not permitted to come into Kuomintang controlled areas, and that no other Communist publication or propaganda material has come to the attention of the members of this Embassy.

The *Liang Hsin Hua* is hawked openly on the ferry boats, streets and other public places and has a wide circulation. It bears a Ministry of Interior registration number and states that it is registered with the Post Office as a newspaper. But the names of its editors or publishers are not published and cannot be ascertained. Inquiries by the Communist representatives have received the answer that it is not actually registered, that the Kuomintang authorities know nothing as to its publishers, and that it is in fact an illegal publication. Efforts by the Embassy to obtain a mail subscription through the address given were unsuccessful.

Under the conditions of press control described above, the assertion that this paper is published and sold without the knowledge and approval of the Kuomintang is absurd. The Communist representatives claim to have knowledge that it is published under the direct supervision of the Vice Minister of Publicity, Pan Kung-chan. Whether or not this is a fact, it is significant that the man in the street takes for granted that it is an officially inspired Kuomintang publication.

Respectfully yours,

C. E. GAUSS

893.00/14865

Memorandum by Captain Roscoe E. Schuirmann of the Office of the Chief of Naval Operations

WASHINGTON, July 2, 1942.

The following was received from the Naval Attaché Chungking: A significant improvement in relations between Sinkiang and the Central Government is indicated. The Governor of Sinkiang¹⁵ has supplied the Sino Air Corps Chief¹⁶ with data on all airfields in his province and assured latter of welcome to inspect and use same for transit of war supplies. The approval of the U.S.S.R. is also implied. General Mao expects to leave here soon for a detailed survey including the possibility of an air route from Yarkaudin to Northern India.

R. E. SCHUIRMANN

893.00/14863

Memorandum by Captain Roscoe E. Schuirmann of the Office of the Chief of Naval Operations

WASHINGTON, July 10, 1942.

Following information has been received from Naval Attaché Chungking— It is reported that the brother of the Governor of Sinkiang who recently visited Chungking and negotiated with Chiang Kai-shek was assassinated at Urumchi on July 5th. If this is true it may indicate a serious setback to recently improved relations.¹⁷

R. E. SCHUIRMANN

800.20293/5

*The Third Secretary of Embassy in China (Service) to the Ambassador in China (Gauss)*¹⁸

[CHUNGKING,] July 10, 1942.

I. INTRODUCTION

The phraseology of the Department's telegram¹⁹ is rather broad: It requests "a brief description of the chief propaganda, psychological warfare and morale agencies operating in Free China".

¹⁵ Gen. Sheng Shih-tsai.

¹⁶ Gen. P. T. Mow (Mao Pang-chu), field commander of the Chinese Air Force.

¹⁷ Marginal notation by the Adviser on Political Relations (Hornbeck): "And it might indicate any one of several other things. S. K. H."

¹⁸ Copy transmitted to the Department by the Ambassador in China in his despatch No. 540, July 24; received September 11.

¹⁹ No. 471, June 3, 1 p. m., not printed.

It is assumed that this refers to Chinese agencies having headquarters in Free China but possibly also carrying on work in occupied territories or abroad.

Accordingly, I have made no attempt to describe foreign propaganda efforts in China—now being conducted openly and officially (with Chinese cooperation) by American, British and Russian agencies, and possibly (but necessarily very much under cover) by the Axis countries. I have also omitted Chinese Communist activity which, outside of the Special Border Area in North Shensi and some of the North China guerrilla districts, is extremely limited and must be conducted in secrecy.

Difficulty of Obtaining Information

The situation as regards work of propaganda type is extremely complex. Organizations and agencies doing (or intended to do) propaganda, psychological warfare, or morale work are numerous and redundant. There are no comprehensive published reports of their work or organizational set-up. And the general Chinese attitude, especially since most of the organizations involved belong to either the Army or the Party, is one of secrecy and distrust of foreign inquisitiveness.

Mr. F. M. Fisher of the Foreign Information Service of the United States, attached to this Embassy, has remarked that although the subject is one in which he has been interested since coming to Chungking as a press correspondent eighteen months ago—and especially so during the past six months that he has been engaged in the promotion of American propaganda and psychological warfare work in China—he has been unable to get from the Chinese, with whom he must coordinate his own work, any clear idea of the scope, organization and activity of their agencies in this field.

II. BACKGROUND

A description of Chinese propaganda and related work requires as background a brief consideration of recent political history and the present political, social and economic situation in China.

The first of these is the Kuomintang dictatorship. This has given the party a monopoly of all propaganda, even within the Army. Education is frankly identified with propaganda.* The press is con-

*The Ministry of Education might with justification be called the most important and extensive propaganda agency. This is borne out in numerous public statements such as the recent broadcast by the Minister of Education, Ch'en Li-fu, to the occupied territory emphasizing the importance of "San Min Chu I education" of children and youth. The Ministry does not seem to be directly within the field of this survey but its own concept of its mission, its strong political and nationalistic character, and its influence, through selection of textbooks and control of primary, secondary, and to a slightly lesser extent of higher education, should be noted. [Footnote in the original.]

trolled. All propaganda takes on a political character, and the strengthening and perpetuation of the Kuomintang's position becomes one of its primary objectives.

A second, but related, factor is the situation growing out of the break-down of the "united front". The truce with the Chinese Communists and other left-wing elements, made after the Sian incident at the end of 1936, became genuine and apparently whole-hearted cooperation in the early stage of the war with Japan. That conflict provided a powerful rallying force. There was real effort to arouse and unite the people, and great activity in propagandizing and organizing guerrilla operations in the areas close to and under Japanese occupation. In this spontaneous outburst of enthusiastic war work, the country's leading writers and artists (most of them left-wing) and the Communists took a major part. Many people—even within the present government—look back on this period as that of the government's greatest efficiency and effectiveness.

For reasons which need not be discussed in detail here, there was a reaction which dates roughly from the moving of the government away from Hankow in the Fall of 1938. The Kuomintang apparently became jealous of the growing influence of the Communists and subjected them and the left-wing to a growing repression which, culminating in the clash with the New Fourth Army, has led to the present situation of suspicion and near hostilities. The effect was to kill much of the active, creative propaganda work which was being done and to give Kuomintang propaganda a strong anti-Communist bias.† To certain sections of the Party, combatting Communism became an important, if not the most important, part of propaganda work. The vitality and vigor of anti-Japanese propaganda and psychological warfare activity has declined since this time.

A third factor is the effect of general war-weariness and economic difficulties. After five years of war there has come an inevitable let-down of morale and enthusiasm. The capital is now located far from the almost inactive fighting fronts. Communication and transportation are extremely difficult. Supplies are difficult to obtain—even paper and printing present great problems. Inflation has brought a tremendous increase in costs. The result is that many organizations, which for a time did more or less effective work, have greatly reduced their activity or become moribund.

A recent development greatly affecting propaganda work among Chinese in the occupied areas and abroad was the seizure by the Japanese in December, 1941, of the foreign settlements at Shanghai and Tientsin and the capture of Hong Kong and "south sea" cities.

†See, for instance, the Embassy's despatch no. 478 of June 22, 1942, on the subject: "Anti-Communist Propaganda". [Footnote in the original.]

In all of these places there was a Kuomintang subsidized press and extensive propaganda and secret service activity, some of which might be considered a psychological warfare against the Japanese and their puppets. Immediately after occupation by the Japanese, the persons engaged in this work were arrested or forced to flee. As a result, work in the occupied areas is admittedly at an almost complete standstill.

A fifth factor, mentioned because it adds to the difficulty of a clear survey, is the Chinese tendency to multiply organizations without limiting their functions or unifying their control. We find that almost every department in the government and major Party organization has its own propaganda or publicity branch. And despite the original complexity of the Government-Party structure, there has been a tendency, as the war progressed and new situations arose, to superimpose on the existing framework new and often vaguely defined organizations. For instance, the recently established National General Mobilization Council has a "Culture Branch", presumably to initiate and coordinate propaganda in support of the national mobilization effort. The steady bureaucratic growth seems, in many cases, to have increased confusion, divided responsibility and reduced initiative and effectiveness.

III. GENERAL SUMMARY

Considering only the main propaganda agencies, we find the field divided, generally speaking, among four organizations:

The Central Publicity Board works throughout the country but its special sphere is the civilian population in the non-fighting zone referred to by Chinese as the "rear area". Through its foreign department it also engages in propaganda abroad and controls news going out of China. Its propaganda objectives are governed by the fact that it is strictly a Kuomintang organization and there are indications that it does not very effectively reach the great uneducated mass of the people, especially the rural masses.

The Political Board is a department of the country's supreme military organization whose special field is propaganda, morale building and political indoctrination of the troops. Considerable importance is given to its work and it is under rather reactionary political control.

The War Area Party Affairs Commission is an independent agency under the military command nominally charged with propaganda and political work in the fighting and guerrilla zones but actually most concerned in checking the spread of Communist influence there. Inertia and other factors are reported to have greatly reduced its effectiveness.

The Overseas Board is a Kuomintang agency for political work among the Chinese colonies abroad. It seeks to inform them of China's "war of resistance," to win their active support, and to combat any influence of Japanese puppet and non-Kuomintang elements. Its work has been greatly reduced by the course of the war.

In summary, it may be said that propaganda work among at least the educated and the troops, though political in character, is fairly extensive.

The principal psychological warfare agencies are:

The Central Publicity Board and
The Political Board, both mentioned above.

It appears, however, that their efforts have been desultory and on a small scale, and that little work of this nature is being done at the present time.

The chief morale agencies appear to be:

The New Life Movement and associated organizations
The Spiritual Mobilization Movement
The Political Board, mentioned above, and
The National Troop Comforting Association

None of these appears at the present time to have much influence among the population as a whole. The New Life Movement, originally intended to be a mass movement, has turned to several rather restricted fields of social service connected with the war. The Spiritual Mobilization Movement is practically moribund. The work of the Political Board is extensive but limited to the Army. The National Troop Comforting Association is likewise limited to the Army and has no continuous program.

[Here follows a detailed description of the agencies mentioned above.]

JOHN S. SERVICE

740.0011 Pacific War/2703

The Ambassador in China (Gauss) to the Secretary of State

No. 515

CHUNGKING, July 14, 1942.

[Received August 7.]

SIR: I have the honor to transmit a despatch²⁰ of Second Secretary John Davies, Jr., detailed to the Headquarters of the American Army Forces in China, Burma and India, enclosing a memorandum²¹ of a conversation with Chinese leftists who are close to General Chou En-lai and who are believed to state intelligently the Chinese Communist point of view.

These informants claim that the Chinese Communists retain considerable strength and, contrary to Central Government reports, are continuing actively to fight the Japanese: they accuse the Central Government itself of deliberately avoiding such conflict. They attach

²⁰ Not printed.

²¹ *Infra*.

importance to pro-German tendencies of the present Chinese regime—which they feel have been strengthened by spectacular German military successes—and interpret the present clamor in China to “defeat Japan first” as a hope that such action might reduce pressure on Germany. Incidentally, they criticize the morale of Chinese military officers, American propaganda in China (as contributing to Chinese complacency regarding their part in the war), and American and British propaganda generally (for lack of imaginative, democratic appeal to the people of Germany and Japan).

As for the statement that the Central Government is not fighting the Japanese: the Embassy has repeatedly reported that neither the Communists nor Central Government are actively so engaged. There is undoubtedly admiration, especially in military and more reactionary Kuomintang circles, of German efficiency, organization and military might; but there does not appear to be justification for the statement that the present Chinese regime hopes for a German victory over Russia. Corruption among Chinese officers and large scale engagement in trade in areas adjacent to the unoccupied areas is unfortunately, by Chinese admission, a common occurrence. The Embassy has on several occasions called attention to the questionable advisability of the over-extravagant propaganda regarding China which has been coming from America.

Respectfully yours,

C. E. GAUSS

[Enclosure]

*Memorandum by the Second Secretary of Embassy in China (Davies)
to the Commanding General, American Army Forces, China, Burma,
and India (Stilwell)*

CHUNGKING, July 10, 1942.

CONVERSATION WITH TWO LEFTISTS

The information contained in this memorandum is derived from two persons close to General Chou En-lai and the Communist headquarters here in Chungking.

My informants stated that the strength of the Eighteenth Group Army (former Eighth Route) is between 500,000 and 600,000. Quoting a foreign source, they said that there are an estimated one million rifles in the Communist areas in the north. They maintained that Communist strength in North China has spread to a greater extent than is generally realized; for example, there is only one district in Shantung which remains under Central Government control. So-called Border Districts have been established by the Communists in

several areas north of the Yangtze. One is in southern Shantung and northern Kiangsu. It is there that the Eighteenth Group Army and New Fourth Army are in contact. The Communists are organized even on Hainan Island, my informants stated.

With regard to Central Government charges that the Communist forces have been avoiding conflict with the Japanese, they maintained that fighting between the Communists and the Japanese continues and that Tso Chuan, Vice Chief of Staff of the Eighteenth Group Army, was killed in an engagement in southeastern Shansi late in May. The Central Government authorities refused permission, my informants declared, for the holding of a memorial meeting for Tso Chuan, presumably because of a desire to prevent publicity of the Eighteenth Group Army's continued activity against the Japanese.

General Chou has declared, according to my informants, that in the event of a Russo-Japanese war he anticipated orders being issued by the Central Government to the Eighteenth Group Army to launch an offensive directed at Manchuria. If this develops, he would expect the Communists to ask for adequate arms to carry out the directive and the Central Government to refuse the request. He would then look for a request for at least small arms and ammunition, which he would also expect to be refused. Finally, the Eighteenth Group Army would appeal to the United States, the Soviet Union and Great Britain for the equipment necessary to undertake the offensive.

Commenting upon the Central Government's reluctance to expend its strength against the Japanese, my informants stated that the Government felt that there was no reason for China to exert itself when Great Britain, which was receiving such vast quantities of American lend-lease material, was doing so little. Therefore, practically no resistance was offered to the recent Japanese incursions into Chekiang and Kiangsi. The Generalissimo was quoted as having stated to General Pai Chung-hsi that China's policy must be one of conserving its strength.

My informants were critical of the extravagant praise in the American press of Chinese resistance, especially the parallels drawn between Chinese and Russian resistance. They said that American correspondents who had originally been responsible in a large measure for the exaggeration, out of motives of friendship for China, admitted that they had been at fault but could not rectify their error without causing an even more undesirable reaction in the United States. Even many Chinese are amused by American eulogies of China's military exploits, they stated. They asked if Americans who really mattered in the United States realized the true state of affairs in China.

There exists a natural ideological affinity between the regime now in power in China and the Nazis, my informants stated. Within the

Central Government there is a pronounced admiration of the Nazis which has been augmented by the conspicuous success of German arms. The only Chungking Germans confined to a concentration camp are three German Jews; the Nazi Germans move about freely. Sons of Chungking Chinese families were said still to be working as student apprentices in German factories.

An interesting sidelight was thrown on the Chinese slogan of "Defeat Japan First". It was suggested that concentration by the United Nations on the defeat of Japan would probably result in lightening the pressure on Germany and might even contribute to a German victory over the Soviet Union. Such a development would not be unwelcome to the regime in power in Chungking.

My informants declared that the influence of the von Falkenhausen group of German advisers²² (which returned to Germany in 1938) on the Chinese Army has been great. Many of the Chinese officers now of the grade of colonel and lieutenant colonel are products of von Falkenhausen's training. They are professionally able and are strongly pro-German. Von Falkenhausen and his officers maintained excellent relations with the Chinese officers whom they trained. I was interested in the comment that von Falkenhausen did not teach the most up-to-date German military technique because he did not himself know that technique. He was a military man of the old German school, he ignored and was contemptuous of political indoctrination and guerrilla warfare and maintained that the only training necessary was professional military training. This theory well suited the Generalissimo who arranged for his own political indoctrination, however undynamic it was.

Captain Stinnes,²³ my informants said, was still alive. He has a close German friend here with whom he has communicated, they stated, and he has also communicated with the Generalissimo. They declared that there is no question of Stinnes's loyalty to General Chiang and that he has with Germans in Tokyo acted as a channel for messages from the Japanese to the Generalissimo. Stinnes was said to be close to Tai Li.

The experience of the Russian advisers was an unhappy one, according to my informants. They were insulated at their posts from contact with practically everyone but their Chinese liaison officers. It was remarked with laughter that the Chinese claimed that the Russians were seeking to learn the lessons taught by von Falkenhausen.

The suggestion advanced by the American Under Secretary of State that there be a long period of cooling-off and consultation between

²² General von Falkenhausen and his mission were recalled by Adolf Hitler, German Chief of State, Führer, and Chancellor.

²³ Son of the German industrialist Hugo Stinnes, who did not return to Germany.

the termination of the war and the writing of peace terms was mentioned with warm approval. My informants said that the peace conference must not be held in Europe; the hatreds are too great. Europe, they declared, must be unified despite the probable intensification of national feeling as a result of the war. The Netherlands was mentioned as a case in point. The Dutch have not been an intensely nationalistic people, but at the close of the war my informants expected to see a fierce, stubborn Dutch nationalism which would resist the unification of Europe. They then contrasted Beaverbrook's²⁴ advocacy of hate of every German and the ruthless crushing of the German people with Stalin's²⁵ discrimination between the Nazi regime and the German people. This revealed, they remarked, the sterile, negative British program of political warfare and the constructive, positive Russian program. British propaganda tells the German people that their leaders are lying to them; this the German people rather suspect anyway; British propaganda does not offer the German people anything better than a return to post-Versailles conditions, which were for the German people intolerable.

The American propaganda line directed at Japan was also criticized. The propaganda was seen as seeking to persuade the Japanese people that the present political situation in Japan represents a reestablishment of the Shogunate and that they should bring about a restoration of the Emperor's power. My informants viewed this propaganda as reactionary and at variance with the American concept of this being a people's war. A democratic revolutionary appeal to the Japanese masses they considered to be a sounder line, pointing to Spain as an example of a country which was generally regarded as the most religious and reactionary in Europe responding to a prospect of revolutionary liberation.

Of several Chinese personalities, my informants first commented on Pai Chung-hsi, saying that he is becoming increasingly identified with the Central Government; he is a general without an army, therefore in a dependent position. Shang Chen, they said, has little influence and what he does enjoy is due to the fact that he knows English. They described Wang Peng-sheng, chief of the International Problems Investigation Bureau of the Military Affairs Commission (and a man who appears to exert considerable influence on foreign policy) as a pseudo-expert. Although he is supposed to speak with authority regarding Japanese affairs, he was said to have made several glaringly inaccurate predictions.

Graft and smuggling by Chinese military officers is practically unpreventable, according to my informants, because of the low salary

²⁴ Lord Beaverbrook, British newspaper publisher.

²⁵ Iosif Vissarionovich Stalin, Chairman of the Council of Commissars (Premier) of the Soviet Union.

scale in the Army. By way of illustrating the low salaries paid officers, they told a current Chungking story. A Major General wished to take a certain local beauty as wife. He approached the young lady's mother, asking her daughter's hand in marriage. The mother was said to have replied, "Why I even told a truck driver that he couldn't have her; do you think I would marry her to a Major General!"

JOHN DAVIES

893.00/14862 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 30, 1942—3 p. m.

[Received July 30—2:20 p. m.]

888. National Government on July 27 announced list of the 240 members of the Third People's Political Council, 105 of whom were elected by various provincial and municipal assemblies, 59 jointly nominated by provincial governments and provincial Kuomintang headquarters, 8 selected from Mongols and Tibetans, 8 from overseas Chinese and 60 appointed by the Supreme National Defense Council from Chinese leaders in various professions. Seventeen provinces represented in new Council. Communist Party represented by 6 members, including Mao Tse-tung but attendance unlikely.

The People's Political Council is not a legislative body and its meetings unfortunately result only in the issuance of manifestos and recommendations which, although usually constructive, have little practical effect. Despatch follows.²⁶

GAUSS

893.00/14876

The Ambassador in China (Gauss) to the Secretary of State

No. 553

CHUNGKING, July 30, 1942.

[Received September 1.]

SIR: I have the honor to enclose a memorandum prepared by Mr. Vincent, Counselor of Embassy, on the subject of "The Chinese National (Kuomintang) Government; its Leadership and Influential Elements". His analysis or diagnosis of Kuomintang leadership is the result of his contacts with and observation of officials in Chungking over the past year. As he states, the subject does not lend itself to precise treatment. The memorandum, in view of the subject matter, is necessarily more suggestive and speculative than fac-

²⁶ No. 559, August 3, not printed.

tual but it furnishes a valuable background and guide to interpretation of Kuomintang attitudes and actions present and future and as such should prove useful to the Embassy and the Department.

Respectfully yours,

C. E. GAUSS

[Enclosure]

Memorandum by the Counselor of Embassy in China (Vincent) to the Ambassador in China (Gauss)

[CHUNGKING,] July 22, 1942.

As an aid to an understanding and interpretation not only of day to day occurrences and attitudes with regard to China's participation in the war but also of what may be expected from the Chinese Government in the long view with regard to prosecution of the war and plans for the peace, I have attempted the following analysis of the leadership and influential elements in the Kuomintang or National Government.

The Kuomintang controls the Government. There is no active opposition. But the Kuomintang is a congeries of conservative political cliques whose only common denominator and common objective is desire to maintain the Kuomintang in control of the Government. Within the party individuals and elements manoeuvre to maintain or increase their influence. The fact that personalities are more prominent than principles in influencing and deciding policy makes for difficulty in an analysis of the Party leadership. Broad generalizations on the basis of similarities or "isms" would be misleading.

Chiang Kai-shek is the undisputed leader of the National Government and of the Kuomintang (National People's Party). He is President of the Executive Yuan (Premier); he is Commander in Chief of the Army; and he is Chairman of the Central Executive Committee of the Kuomintang. He is supreme in the Government, in the Army, and in the Party.²⁷ The Chairman or President of the National Government, Lin Sen, is an elder statesman of no appreciable influence. Chiang's leadership is undisputed and supreme but it does not follow that it is absolute. He is not a dictator. His leadership is subject to modifications by influential elements within the Party and the Government. The political elements which he leads are held together by the personal force and political acumen which he exercises.

In the years since the establishment of the National (Kuomintang) Government at Nanking in 1927, the Kuomintang has become increas-

²⁷ Marginal notation: "Also at beginning of war was made 'Tsung-tsai', Director General of the K. M. T., having all the rights formerly enjoyed by Sun Yat-sen."

ingly conservative, selfishly as much as politically conservative; in short, "preservative". The patriotic appeal to resistance to Japan has in recent years been effectively used as a substitute for what should have been an earlier appeal of ideas, ideals, and constructive reform. Already at the outbreak of hostilities with the Japanese in 1937, the Kuomintang was suffering from a want of any applied idealism in its policies and undertakings. Lip service was given to the Three Principles of Dr. Sun Yat-sen but principal attention was directed toward the eradication of dissident political and military groups. The Party had become a sterile bureaucracy depending upon the monied interests and the military for its support. Japanese aggression united the people in a wave of patriotism, relatively strong for China, and in support of the Government's policy of resistance. Even the communists and other minor parties joined in supporting the Government for a time. This support was subsequently rejected by the Kuomintang controlled Government when, in 1939, it ceased to be hard pressed by the Japanese; and today the communists are virtually outlawed and other dissident elements are suppressed through control of the press and through the more direct method of secret service espionage and arrest. By these methods new blood, new thought, and new inspiration have been discouraged—prevented—from coming into the Party with the resultant bureaucratic sterility that now characterizes the Kuomintang Government.

The influential personalities and elements that compose and control the Kuomintang under Chiang are described as a "congeries" because their association together in the Kuomintang is fortuitous and expedient. They are not held together by ideal or principle. They are held together by a common desire for self-preservation, by the external pressure of Japanese aggression and by the personality of the Generalissimo. They are grouped together and described as "cliques" because of the strong personal character of the groupings. Personal loyalties play a larger role in determining the composition and relations of the groups than do political or social concepts. The term "conservative" in describing this congeries of cliques is employed in a generic rather than a political sense; that is, they are bent on conserving what they have, which is control of the Government of China.

Most intelligent Chinese are intellectual liberals, mildly predisposed toward social liberalism but readily discouraged by racial and mass inertia. Many of the members of the Kuomintang were men of that type. The Kuomintang's failure to solve any of the major economic and social problems of China, once it had formed a Government at Nanking in 1927, was caused by a strong desire to utilize the most immediate means for establishing and maintaining itself in power. Chiang Kai-shek, after sweeping north to the Yangtze on a revolu-

tionary program, made his peace in Shanghai with the bankers and landlords and took into his fold such reactionary warlords as he could attract to his camp. Thereafter commenced the long battle to subdue the communists and liquidate non-cooperative military and political elements. The Kuomintang's failure to effect reform became as much the cause as the result of its conservatism. Faced with a lack of popular enthusiasm and support because of its failure to provide solutions for the pressing social and economic problems, the party leadership has had perforce to concentrate on conserving its position against a potential—a probable—translation of this lack of enthusiasm into actual opposition. Hence the adoption of repressive measures to control and eradicate opposition; to enforce party discipline and inculcate through educational and training systems loyalty to so-called party ideals. "Party tutelage", the professed prelude to the institution of a democratic system, has become an end in itself rather than a means toward the end of putting into effect Dr. Sun's ideal of socially and economically democratic government. Political unity, held out as a prerequisite to the accomplishment of social reform and the institution of democratic government, has been perverted into a means of achieving a high degree of centralized bureaucratic control. Japanese aggression has been both an aid and an excuse for this tendency which was all too apparent, however, even prior to 1937.

(The foregoing general remarks regarding the character of the Kuomintang are made to indicate its position in the internal administration of the country. They are in no sense meant to disparage the role which the Kuomintang has played in leading and maintaining for five years resistance to Japan. It merits and has received high praise for its steadfast pursuit of the policy of resistance—not only physical resistance but resistance against a natural or racial tendency to seek compromise terms. It has also merited support in far greater degree than it has been given, for I think it will be generally agreed now that real and substantial aid to the Chinese forces during the years 1937–40 would have been sound policy. It is ironical, now that we are willingly committed to all practical assistance to China, that transportation difficulties prevent material support from reaching China in consequential volume.)

Personalities rather than ideas, as I have stated above, are the strongest influence in the Kuomintang Government. In any enumeration of the persons under Chiang who are credited with being the most influential—influential not only from the standpoint of their position within the Government or Party but from the standpoint of their relations and influence with the Generalissimo—five names usually stand out. They are: Dr. H. H. Kung, Vice President of the Executive Yuan and Minister of Finance; Dr. Chen Li-fu, Minister

of Education who, with his no less influential brother, Chen Kuo-fu, heads the "C-C" clique; General Chang Chun, Chairman of the Szechuan Provincial Government and leader of the Cheng Hsueh Hsi (Political Science Society); General Ho Ying-chin, Chief of Staff and Minister of Military Administration; and General Tai Li, head of the powerful military secret police with the title of Director of the Statistical and Investigation Office of the Military Affairs Commission. In varying degrees, these men are important in their own right, as outstanding members of groups and as leaders of powerful organizations. There are of course the names of many officials that could be added to the list, officials who are associated with the five officials mentioned above or who have independent positions of influence but on a lower plane than those mentioned. Some of the more important of these are: Tai Chi-tao, President of the Examination Yuan, Chu Chia-hua, Vice President of the Examination Yuan; Dr. Sun Fo, President of the Legislative Yuan; Wang Shih-chieh, Minister of Information and Publicity; Wong Wen-hao, Minister of Economics; Hsu Kan, Minister of Food; Dr. Wong Chung-hui, Secretary General of the National Defense Council; General Wu Teh-chen, Secretary General of the Kuomintang Central Executive Committee; General Ho Yao-tsu, head of the Generalissimo's personal or household Secretariate or Aide-de-Camp organization (Shih Tsung Shih); Generals Hu Tsung-nan and Chen Ch'eng, commanders of two of the most powerful armies, "Whangpoa Cadets", and favorites of the Generalissimo; and Generals Pai Chung-hsi and Li Tsung-jen, leaders of the Kwangsi group. The place and influence of the foregoing will be the subject of treatment in connection with the following discussion of the position and role of the five outstanding leaders.

Dr. H. H. Kung is the dominant figure in Chinese finance. For ten years he has been Minister of Finance, or, as it is sometimes put, the "obliging compradore" for his brother-in-law, Chiang Kai-shek, a circumstance which has insured his continuation in office against opposition and charges of incompetence. He has faithfully administered the finances of the country in a manner to meet the financial needs of the Generalissimo which has generally meant that he has administered them in a manner having little regard for sound financial practice according to Western standards. The insistence of the other brother-in-law, T. V. Soong, upon administration of the finances along relatively modern and sound lines was largely responsible for his "retirement" from office in favor of Kung. It is in fact a question whether Kung, considering the vastness of the country, general governmental administrative inefficiency, and difficulties imposed by Japanese aggression, has not carried on about as well as could be expected; whether a more competent Minister, from the western point

of view, would not have succumbed where Kung has at least staved off financial collapse. Anyway, Chiang Kai-shek seems to be satisfied, which is sufficient to quiet opposition to Kung.

Kung has in a measure the support of the banking and landed interests in the country primarily because he has avoided measures which might antagonize them. He espouses no radical social program that is contrary to their interests. However, his plans for government monopolies and socialization of certain industries arouse suspicion among business interests, and the gravity of currency inflation is beginning to frighten financial interests. There are indications that landed and banking interests, which gave their support to the Kuomintang in 1927, are cooling toward the Party, and might be persuaded to withdraw their support if they were not frightened of the consequences of doing so; that is, if they knew where they could safely transfer their support.

In the course of his ten years in office, Kung has been able to establish for himself a loose following among younger officials in the Government and to some extent among field officers of the Army who look to him for special financial assistance. This has been partially due to patronage, partially due to a certain feeling of attachment which the genial descendant of Confucius inspires among associates, and partially to a kind of negative or reflex feeling that, in comparison with many of the party leaders, he represents a relatively liberal point of view. He has been described as the "political tent" under which those who find or desire no place in the ranks of the political cliques find shelter.

In an ill-defined way, Kung may be said to be the leader of the American returned student ("Christian", "YMCA", "modern") type of Chinese; of those Chinese with a "western" as distinguished from an "eastern" outlook; of those Chinese who advocate co-operation with America and England. This is a leadership which he shares with the Soong family. In this position, as in his position as manager of the nation's finances, he faces strong potential competition from his brother-in-law, T. V. Soong. There are many Chinese who look upon Soong as the "white hope" of a reconstructed "modern" China. But the competition between the two is a matter which one feels can be managed within "the family". Madame Chiang and Madame Kung are believed quite capable of handling the situation in addition to their "task" of exerting considerable influence on government policy, especially foreign and financial. The Soong family is, through T. V. Soong, in charge of foreign relations, and through Kung, in control of finances. Chiang's supreme position assures this and also assures that there will be no open breach in the "clan" front. The clan is the focal point and chief support of those Chinese with

western or Anglo-American ideals and sympathies. Chiang's dominant position, his background and outlook enable him to maintain an equilibrium and to enforce cooperation between this "western" group and the group which may be loosely described as "eastern" in its outlook and ideals. He is matrimonially and in a sense politically allied to the former but he is temperamentally in the latter camp.

At this point it seems appropriate to insert a brief mention of Dr. Sun Fo, son of Dr. Sun Yat-sen, and Madame Sun, wife [*widow*] of Dr. Sun and sister of Mme. Chiang and Mme. Kung. Sun Fo is President of the Legislative Yuan (the Legislative Yuan does not legislate; it simply puts into legislative form decisions of the party). He is not a man of ability and his influence, which is limited, is dependent entirely upon the fact of his being the only son of Sun Yat-sen. He endeavors, largely through speech making, to create for himself the position of leader of a liberal wing of the Party but with no marked success. He has few retainers of prominence in the Government, the outstanding one being Foo Ping-sheung, Political Vice Minister for Foreign Affairs. Madame Sun Yat-sen is now in Chungking only by force of circumstances. She maintained her residence in Hong Kong until forced to leave after the Japanese attack on the island. Her name means much to the radical and younger elements in and out of the Party but she lacks the force actually to assume a position of leadership. She is vaguely, idealistically, and quietly radical. She is not active in politics.

Dr. Chen Li-fu, Minister of Education, is, with his elder brother, Chen Kuo-fu, the leader of the very influential "C-C" clique. Chen Kuo-fu is head of the Central Broadcasting Administration and is Chief of the Personnel Section of the Generalissimo's private Secretariate. Between them, the Chen brothers are in virtual control of education and propaganda. With their adherents they hold twenty-three places on the Central Executive Committee (the highest organ of the Party) which is the largest and most powerful block in the Committee. The "C-C" is in fact the strongest and most influential element in the Kuomintang. Notable adherents to the clique are Ku Cheng-kang, Minister of the recently organized Social Welfare Ministry, Hsu En-tseng, Vice Minister of Communications and chief of the party Secret Service, Pan Kung-chan, Vice Minister of the Central Publicity Board, and Chang Tao-fan, Chairman of the Central Cultural Committee of the Kuomintang.

The clique is in control of the Party police, a secret organization which investigates the conduct of party officials in the national and provincial governments and also maintains a close supervision over educational institutions and teaching throughout the country.

It is not easy to ascertain just what the clique stands for in national life. It is of course primarily interested in the perpetuation and

increase of its own power. But it is also looked upon by the radicals and liberals as the most reactionary group of officials in the Kuomintang. Chen Li-fu is an engineer (graduate of Pittsburgh University) and somewhat of a philosopher. Chen Kuo-fu has been intimately associated with party affairs during the thirty years of his adult life. Their father befriended Chiang Kai-shek in his early days which probably accounts for a "Chinese bond" which exists between them and the Generalissimo. The Chens and their followers are nationalistic—national socialist in modern parlance. Given a completely free hand, party tutelage under their guidance would become absolute party dictatorship. In Europe they would probably be called "fascists". The "moderating heaven" of China saves them from that. They are not anti-foreign; but neither are they pro-foreign. They are "eastern" and nationalistic in their outlook. They evince little sympathy with democratic concepts of government. With the rest of Kuomintang officialdom, they are anti-communist. Chen Li-fu speaks and writes with almost religious fervor of the great part which Chinese culture, Chinese philosophy, the Chinese art of thought life must play in the future up-building of China and the east. He wants technical and material assistance from the west; but that is all. Chen Kuo-fu speaks very little; is very little in the public eye; but behind the scenes he is a potent force for party discipline—party discipline in line with the undemocratic ideas of the "C-C" clique.

At this point it is convenient to insert mention of the President and Vice President of the Examination Yuan, Tai Chi-tao and Chu Chia-hua respectively. The Examination Yuan is the department of the government charged with the duty of supervising and investigating the conduct of government (as distinguished from Party) officials. Tai Chi-tao is an elder statesman of the Party. He is not active in the Government, preferring to study the classics, a course which it is understood has led him away from the original Kuomintang concepts (he was once a "revolutionary") to advocacy of paternalistic government along the lines of the early "Middle Kingdom". His influence in the Government is almost wholly personal and stems from his close association with Chiang Kai-shek. They were fellow students in Japan; have remained close friends since. It is understood that Tai sends to Chiang each week at the request of the latter a digest result of his week's perusal of the classics.

Chu Chia-hua *is* active in the Government. He exercises considerable influence through his "management" of officials, especially officials of the lower grades and those out in the provinces. He is a German returned student and is credited with being an admirer of the nazi form of government. Although neither Tai Chi-tao nor Chu Chia-hua are directly associated with the "C-C" clique (Chu is in fact used

somewhat by the Generalissimo as a foil to the "C-C") Tai's paternalism and Chu's nazi leanings lend support to the "C-C" ideas and measures for party government.

General Chang Chun, former foreign minister and present Chairman of the government of Szechuan Province (the stronghold and support of the National Government for the past four years) is an intimate and influential friend and advisor of the Generalissimo and by virtue of this association is looked upon as the leading member of the so-called "Political Science Society" (Cheng Hsueh Hsi). Chiang and Chang were fellow students in Japan and have been closely associated ever since. The Cheng Hsueh Hsi is no longer an organization, as it was in the early days of the Chinese Republic, with well defined policies and aims*. It has become simply the name applied to a certain type of Chinese officials who, by training, character, and political outlook are conveniently grouped together. Their outlook is conservative; it is "eastern" in contradistinction to the "western" outlook of the Anglo-American trained group. Many of the outstanding figures were students in Japan but the group cannot be called pro-Japanese. They are, if an appellation is needed, thoroughly pro-Chinese. The Cheng Hsueh Hsi members generally were probably not imbued with much enthusiasm for resistance to Japan at the inception of hostilities, favoring compromise arrangements, but they have supported the Government in its policy of resistance.

It is difficult to ascertain with any degree of certainty just what officials today are considered to be adherents or "members" of the Cheng Hsueh Hsi. Chang Chun has been named as the leading member. Wu Ting-chang, Governor of Kweichow, is a highly respected and capable official who ranks high in the group. Others are: Wang Chung-hui, Secretary General of the Supreme National Defense Council, former Foreign Minister and Judge of the Hague Court; Chang Chia-ngau, Minister of Communications; Chen Yi, Secretary

* The Cheng Hsueh Hsi stems from the party that grouped itself around Kang Yu Wei, the Chinese political reformer of the late 1890s. They were known as the Wei Hsing Pai (Reform Party) and advocated moderate progressive change in opposition to the radical revolutionaries. After the revolution of 1911, the group became known as the Cheng Hsueh Hsi and was especially active during the parliamentary period in Peking (1912-15). The members were largely intellectuals, familiar with the technique of government. Liang Chi-chao was one of the early leaders of the group. After the breakdown of parliamentary government and the beginning of the "warlord period" the group had little influence except as individuals, although a loose organization of sorts was maintained. Their influence was strongest in provincial governments. When Chiang Kai-shek's northern conquest reached the Yangtze valley in 1926, when he had broken with the communists, made his peace with the Shanghai bankers and established his government at Nanking, need was felt for men competent in government administration. At that time Yang Yung-tai was the recognized leader of the Cheng Hsueh Hsi. Chiang made him governor of Hupeh province and having placed him in this important position he called other members of the group into the government. [Footnote in the original.]

General of the Executive Yuan; Tsiang Ting-fu, Director of the Political Affairs Department of the Executive Yuan; Chen Pu-lei (also close to the "C-C" clique) departmental chief in the Generalissimo's headquarters secretariate (Shih Chung Shih); Wong Wen-hao, Minister of Economics; Wang Shih-chieh, Party Minister of Information (Wang is also somewhat in the orbit of the "C-C"); Hsiung Shih-hui, former Governor of Kiangsi and now head of the Chinese military mission in Washington. General Wu Teh-chen, Secretary General of the Kuomintang and as such titular second ranking man in the party, was at one time identified with the Cheng Hsueh Hsi. His influence is by no means commensurate with his position. Many provincial officials are associated with the Cheng Hsueh Hsi and some military commanders by training and outlook are Cheng Hsueh Hsi in character. Ho Ying-chin is an outstanding example.

These officials have been described as the intellectuals of the government and party. It is true that as a group they are the best trained men in the government. They are familiar with the form and functioning of government according to the best Chinese standards. Although they maintain a high respect for "things Chinese", they are not opposed to such western technique and technical processes as can be safely grafted on the Chinese system without altering its character. Many have a broad—a modern—outlook but they are looking through Chinese eyes always. Their influence is largely personal. They do not have the backing of an organization or machine or of military or popular groups except in so far as they personally find favor with those groups. Generally speaking the Cheng Hsueh Hsi membership finds Dr. Kung distasteful and there have been undercurrent attempts to displace him. When Kung was ill last winter Chang Chun was advocating Wu Ting-chang as his successor. There is no particular antagonism between the Cheng Hsueh Hsi and the "C-C" but where the latter is reactionary the former is only conservative. Speaking generally, the group members may be counted upon to use their influence against any form of radicalism without opposing improvements which they consider consonant with Chinese life and institutions. They believe in China; that is, in the Chinese in a Chinese way.

General Ho Ying-chin as a young man participated in the Chinese Revolution in 1911 and since that time he has been active in both military and party affairs. Like so many of the prominent officials of the Kuomintang, he studied in Japan for a period. Since 1930 he has been Chief of Staff and Minister of Military Administration. While he has no army immediately under him, he has been able through his long administration of military affairs to establish a strong position with the army, particularly with divisional and lesser commanders

who look to him for preferment and promotion. The fact that he was at one time chief instructor at the Whampoa Military Cadets Academy (Canton) gives him a position of influence with the group of army officers known as the "Whampoa Cadets". General Ho also wields considerable influence in Party politics. Stories that he is pro-Japanese should be discounted. There is no evidence to support such stories. He is, like his fellow party members in the Cheng Hsueh Hsi, "eastern" in his viewpoint. Incidentally, his relations with Cheng Hsueh Hsi members are good. Anti-communism is, with him, as with so many of the Chinese military officers, an obsession. This gives rise at times to the suspicion that he may be more interested in liquidating the communist forces than in defeating the Japanese, and to the feeling that Ho and others of his mind would view a Russian victory over Japan in the Far East with only slightly less misgivings than a Japanese victory. There is reason to suspect that this state of mind consciously or unconsciously prompts Chinese insistence that Japan be eliminated first after which full attention can be turned to aiding Russia defeat Germany. Dr. Kung only recently in conversation with me outlined his plan of strategy along those lines. Nothing would be more agreeable to a large body of Kuomintang officials than to eliminate Japan while Russia was still fully engaged in Europe, their thought, of course, being that Russia would then have little say in the eventual peace settlement in the Far East.

Stories that General Ho's relations with General Chiang Kai-shek are not on a friendly basis would seem to have as little foundation in fact as stories that he is pro-Japanese. Reports indicate the contrary and, whereas Ho enjoys a position in the Government and Party which many think makes him the logical successor to Chiang, there is no indication that he would lend himself to any scheme to supplant Chiang.

Tai Li, as Chief of the Statistical and Investigation Office of the Military Affairs Commission, is chief of the secret military police. Operatives under his control are estimated to number at least 100,000 men. Tai Li is a military man, a Whampoa Cadet, and as such a member of the "Whampoa" clique in the army. And Tai Li is the completely trusted subordinate—and guardian—of the Generalissimo, subject only to the Generalissimo's orders. He does the inside investigation jobs for the Generalissimo; he is in charge of the Generalissimo's personal bodyguard; he, with his organization, is the medium through which much unofficial "business" is done both in China and abroad; and he is efficient.

Being head of a strong and secret organization and having the personal confidence of the Generalissimo gives Tai Li a position of "influence" in the Government and in the Army of no mean proportions. His identification with the strong "Whampoa" clique in the Army

strengthens his influence. His organization is at times utilized to counterbalance the Party police under the "C-C" clique—an illustration of one of the fundamental tenets of Chiang's policy in controlling the Kuomintang, that is, the maintenance of an equilibrium of forces by means of checks and balances. General Tai is, however, much more than a check or balance. He is the personification of the latter day repressive tendencies of the Kuomintang.

Although the primary objective of this memorandum is discussion of influential elements in the Party and Government, it is believed that a useful purpose will be served, somewhat in continuation of the discussion of General Ho Ying-chin and General Tai Li, by giving a brief account of the leading figures in the Army. Army commanders continue to enjoy a large degree of independence in the areas in which they are stationed. Warlordism is not dead and with the return of peace, it will require strong management to prevent its active recrudescence as a major political factor in China. Even now in the midst of war army commanders are understood to be hoarding material against the day when they may have to defend their position and prerogatives against a demand for demobilization and the institution of civilian control.

General Hu Tsung-nan, with headquarters at Sian, Shensi, is credited with having the largest and best equipped body of soldiers in China under his command. Directly and indirectly he commands over 400,000 men stationed in the area extending from western Honan through Shensi to Kansu. The area is considered as being "politically" very strategic. Theoretically Hu is under the commander of the 8th War Zone (General Chu Shao-liang); practically, he is under the Generalissimo only. It is Hu Tsung-nan's troops who quarantine the communist forces in northern Shensi. He is actively and thoroughly anti-communist. He was a leading spirit in the organization known as the "Blue Shirts", a semi-military, semi-political body of men charged with the duty of keeping the Army free from contamination from liberal or subversive influences. The organization was disbanded because of the odium attached to colored shirts but another group is being developed to take its place—the San Min Chu I (the Kuomintang Three Principles of Dr. Sun) Youth Corps. This Corps is trained along strict lines of Party loyalty and discipline. Civilian as well as military officials are enlisted. It, as the "Blue Shirts" before it, has a strong flavor of fascism.

Hu Tsung-nan is a leading member of the Army clique known as the "Whampoa Cadets". Although his relations with General Ho Ying-chin are understood to be good, he enjoys direct relationship with the Generalissimo which removes him from control by Ho. He is one of the Generalissimo's most trusted lieutenants. He is also an

intimate of his fellow "Cadet", General Tai Li. Together they make a strong pair. General Hu's troops have done virtually no fighting since 1938, although they are the best equipped in China. The Russians complain that the best of the material which they sent into China during 1938-40 went to this non-fighting organization. Hu's job would seem to be primarily the quarantine of the communists and the maintenance of a safe base for retreat from the south and east to the northwest in case of necessity. In this job he seems to have the full support of the Generalissimo.

General Ch'en Ch'eng, also a "Whampoa Cadet", and also a favorite of the Generalissimo's, is commander of the strategically important 6th War Zone which covers western Hupeh, western Hunan, and eastern Szechuan. It is the area in which a Chinese offensive, with the recapture of Ichang as the initial objective, would produce immediately advantageous results. But General Ch'en Ch'eng, although considered an able commander, has done little to distinguish himself in recent years. At one time he was looked upon as the logical successor to General Chiang, but that day is long past. His importance today derives from the confidence which Chiang reposes in him.

General Li Tsung-jen and General Pai Chung-hsi are military commanders with political affiliations as leaders of the Kwangsi faction which in 1936 started an abortive rebellion against Chiang but since the outbreak of hostilities against Japan, has cooperated loyally with the Government. Li Tsung-jen is commander of the 5th War Zone with headquarters at Laohokow, Hupeh. He is a good soldier and has under him two good vice commanders in Generals Sun Lien-chung and Li Pin-hsien. General Pai Chung-hsi is Vice Chief of Staff in Chungking. He has no army. He is credited with being the best strategist in the Chinese army. In addition to his leading position in the Kwangsi party, he wields a considerable influence as the outstanding Mohammedan in the Chinese Government. Loosely associated with Generals Li and Pai is General Chang Fa-kwei (Old Ironsides) who is commander of the 4th or Kwangsi War Zone. He is a good soldier and popular with the people. The 7th or Kwangtung War Zone is commanded by General Yu Han-mou with a very low reputation as a soldier but in the good graces of the Generalissimo because he "turned" loyal during the 1936 Kwangsi-Kwangtung rebellion.

General Ku Chu-tung, commander of the 3rd War Zone (principally Chekiang, Kiangsi and Fukien provinces) which has in recent weeks been the scene of successful Japanese offensives, is a Ho Ying-chin man. The aging and inactive General Yen Hsi-shan is commander of the 2nd or Shansi War Zone. Other commanders meriting mention are General Chiang Ting-wen, 1st War Zone in Honan;

General Chu Shao-liang, 8th War Zone with headquarters at Lau-chow; General Hsueh Yueh, 9th or Hunan War Zone; General Yu Hsueh-chung on the Shantung-Kiangsi border (former "northeast"—Manchuria—man) and General Wei Li-huang on the Hopei-Chahar border. The list would not be complete without the names of General Lung Yun, semi-independent Chairman of the Yunnan Government and commander of the mediocre Yunnan army; and Generals Fu Tso-yi and Ma Hung-kuei, theoretically commanders under Chu Shao-liang (mentioned above) but actually semi-independent warlords in the provinces of Suiyuan and Ninghsia respectively.

The foregoing description of Kuomintang leadership (in Government and Army as well as Party) is suggestive rather than conclusive. The very nature of the set-up precludes precise interpretation and statements with regard to position, function, and meaning. The individuals, elements, and cliques operate within a Party and Government framework in a highly personal manner. However, some general deductions are permissible.

It would seem to be clear from the foregoing that General Chiang Kai-shek is the undisputed leader. His leading position derives as much from the personal loyalties he commands as from the offices he holds. In large measure the latter derives from the former. It follows that Chiang, committed to resistance to the Japanese, will be able to pursue his policies without major hindrance. There is no doubt that his supporters exercise a modifying influence. In the matter of resistance, for instance, there is reason to doubt that some of his supporters are as convinced of the wisdom of all out Chinese resistance in cooperation with America, England and Russia as the Generalissimo has indicated himself to be. The conservative or "preservative" instinct of the Party follows through to the Army, units of which are suspected of unwillingness to expend their strength, desiring to conserve their strength against the day when it may serve a useful purpose in internal "adjustments". The proposition of "containing" Japanese troops in China is bad psychology. The Chinese have for five years been trying to get rid of the Japanese.

While there is an unquestionable lack of matériel to carry on any major offensive against the Japanese, there is also a lack of offensive spirit, partially explained by the attitude of mind described above. Hence, resistance may be expected to continue, but it may be expected to continue to be "Chinese resistance"; not the active resistance which western military critics desire and western eulogizers portray. Harm has been done by both groups. The Chinese deserve much credit for the resistance they have put up against the Japanese but no useful purpose is served by great expectations for the near future. We may count on resistance under Chiang and count on his having the con-

tinued, if at times and in some quarters conditional, support of his associates.

(It is highly improbable that a situation will arise which would cause Chiang voluntarily to retire, and there is not believed to be the will or the power in or out of Party ranks to cause his involuntary retirement. Only a widespread lack of confidence in ultimate allied victory could bring about Chiang's retirement. Should he be fortuitously removed from the scene the probabilities are that either Ho Ying-chin would succeed him or a compromise candidate, such as Tai Chi-tao, would be put forward and supported by General Ho, the Chens and Chang Chun with Ho taking the commandship of the army under arrangement with such powers as Hu Tsung-nan, Tai Li, etc., with the Chens taking over full control of the Party, and with Chang Chun assuming the Presidency of the Executive Yuan. Kung would probably be eased out and Soong influence would diminish. This is purely speculative but indicates broadly what might be expected. The attitude toward resistance, under such a set-up, would depend largely upon the fortunes of war at the time. There would be a tendency away from collaboration with the allied powers, the "eastern" as distinguished from the "western" viewpoint would be unchallenged, and a policy of "watch and wait" with regard to the war would prevail. The principal preoccupation would be maintenance of internal unity.)

With regard to internal administration under the present leadership, it is obvious that the situation is heavily weighted on the side of conservatism, political and selfish. Effective measures for financial, economic and social reform cannot be expected from the present leadership either now or in the post-war period. Whether or not the Kuomintang as presently constituted will be able to maintain its leadership after the war is a question which hinges on unpredictable developments. There are younger elements in the party which are liberal minded. They are numerous and intelligent but they occupy subordinate posts and have little influence. There are also liberal groups outside the party; and there is the communist element stronger potentially than actually. If Russian armies prove to be a major factor in defeating the Japanese armies the liberal and communist elements will undoubtedly be strengthened. The Kuomintang, faced with this situation, could adopt two courses. It could readily put into effect long overdue measures for social and economic reform. By so doing it could gain the support of the liberal elements in and out of the Party and cut the ground from under the communists. On the other hand, frightened by liberal and popular criticism and fearful of the communists, it could go to the extremes of reaction, adopting oppressive and suppressive measures to kill all opposition

and to maintain itself in power. Under the present leadership the latter alternative seems to be the more likely of the two. All the trappings for state socialism along nazi lines are present: a strong party control under the "C-C" clique; an effective gestapo under Tai Li; and a military power and organization, headed by Ho Ying-chin, thoroughly asocial in its outlook and bent on maintenance of its position and prerogatives in the national life.

This is the darkest side of the picture. It is possible that the current of social reform—that the demand for making victory a people's victory and peace a popular peace, as opposed to a peace of nationalism and class interest—will be so strong that the Kuomintang will be swept along with it or swept away to give place to the younger progressive elements in the country. Those elements are present and if given a chance could make the Kuomintang a vital force for instituting social as well as political democracy in China. But these progressive elements must be "given" the chance. The conservative opposition is too strong for them to "take" it. Whether or not they are given the chance will depend very largely on outside influences and pressure. There will be no voluntary relinquishment. The Chens and the Tai Lis must go, the warlords and the landlords must be subordinated to the national interest. This having been accomplished, the Kungs and the Soongs and the Cheng Hsueh Hsi might be fitted into a liberal regime, and the Chinese communists would probably cooperate with it.

After victory, China will emerge as the strongest Far Eastern Nation. It will be one of the major tasks of the post-war period to utilize our influence and support to the end that liberal elements are enabled to assume a position of leadership in the government of China.

JOHN CARTER VINCENT

893.00/14882

*Memorandum by the Second Secretary of Embassy in China (Davies) to Mr. Lauchlin Currie, Administrative Assistant to President Roosevelt*²⁸

CHUNGKING, August 6, 1942.

MESSAGES FROM CHINESE COMMUNISTS

During Mr. Currie's stay in Chungking a representative of General Chou En-lai, Communist representative at the Chinese capital, delivered to me several messages for Mr. Currie.

Somewhat by way of background, he reported with amusement that the day on which Mr. Currie arrived in Chungking the Generalissimo

²⁸ Delivered on August 25 to the Department by Mr. Davies personally.

crossed the river from his summer residence and met General Chou for the first time in "nearly a year". The trip into Chungking was apparently solely for the purpose of meeting with General Chou. The Generalissimo was said to have expressed great solicitude for General Chou's health (the latter has been ill for some weeks but is recovering) and to have urged the Communist leader to make use of General Chiang's residence on Mount Omei to regain his health. It was stated that General Chou was at a loss to explain this concern over his welfare and other sudden demonstrations of Central Government cordiality to the Communists until he learned that Mr. Currie had arrived.

This incident, General Chou's representative stated, illustrated the Central Government's sensitiveness to American opinion. During Mr. Currie's last visit, he continued, relations between the Central Government and the Communists improved. The same development appeared to be occurring during Mr. Currie's second visit.

It was indicated that General Chou wished to have a talk with Mr. Currie. However, when I later reported that Mr. Currie considered it impolitic at this time to meet General Chou, the reply seemed to be accepted with understanding and in good part.

There were two special messages which General Chou desired to be delivered to Mr. Currie. (1) The Chinese Communists hope that the American Government will take steps which will insure the use of lend-lease supplies in accordance with the purpose of such American aid. The fear was expressed that unless the American Government maintained a firm and constantly watchful attitude on this score lend-lease supplies would be hoarded for use after the war in maintaining the position of the ruling faction. (2) The Chinese Communists would welcome a visit to Communist-controlled areas by one or several representatives of the American Government. It was suggested that the Generalissimo could reasonably be requested to grant permission for such an inspection tour on the grounds that the American Government should, in view of the possibility of a Japanese attack on Siberia, have first-hand information with regard to this vital border region and the Communist armies. American Army officers were mentioned as the most logical officials to be sent.

My informants described a strange situation in Sinkiang Province, the description of which I have been unable to verify. These Communist sources stated that, alarmed by recent attempts of the Central Government to extend its influence in Sinkiang Province, the Chairman wrote a letter to Stalin offering to place Sinkiang under Soviet protection. It was stated that the Chairman received a reply from Molotov to the effect that the Soviet Government maintained good relations with the National Government of China and could deal only

with that Government. Upon receipt of this rebuff, the Chairman was said to have become highly incensed, discharged four Chinese Communists acting as provincial departmental chiefs (Finance and Education were mentioned), executed his younger brother who was a Soviet sympathizer and prohibited trade with the Soviet Union. The Chairman's actions were declared to have caused the Soviet Government to turn over to the Central Government of China copies of Chairman Sheng's letter to Stalin and Molotov's reply. The recently redoubled activities of the Central Government in the Northwest—Pai Chung-hsi's and Wong Wen-hao's prolonged visits—my informants explained, were Chungking's reactions to the above-described developments.

There were also reported instances of numerous secret arrests during the final week of Mr. Currie's visit. It was not suggested that there was anything significant in the timing of the arrests. Practically all of those detained or taken without knowledge of family or friends were small officials from the "Three Northeastern Provinces". No Communists were detained, because "there are 600,000 Communist troops". The "Northeasterners" are, however, a weak and scattered group. The arrests were not made by Tai Li's organization, according to my informants, but by the Kuomintang's party police. It was said that while the Party may investigate it does not have the authority to make arrests. The foregoing was told me by way of demonstrating that the Four Freedoms are not lived up to in Chungking.

JOHN DAVIES

893.00/14881

The Ambassador in China (Gauss) to the Secretary of State

No. 573

CHUNGKING, August 13, 1942.

[Received September 11.]

SIR: I have the honor to enclose for the Department's information a copy of a statement²⁹ prepared by the Central Committee of the Chinese Communist Party on the Fifth Anniversary of the Sino-Japanese War. This statement was not released for publication in Chungking newspapers and has been obtained by the Embassy from a confidential source.

The statement of the Communist Party is of particular interest in that it calls attention frankly to the existing dissension between the Kuomintang and the Communist Party and sets forth a program to end the antagonism between the two parties not only during the war but also for the post-war period. Its aims are a democratic China,

²⁹ Not printed.

neither dictatorial nor socialist; economic prosperity for all, not for one section—without confiscation by force of land or factories; universal suffrage; unification and peace; and an independent China, not colonial or semi-colonial. The post-war China should be built on the principles of San Min Chu I, the Kuomintang's program of resistance and reconstruction and the Communist Party's administrative and social policies.

The statement reiterates the principles established by the Communist Party in September, 1937, when it announced (1) its willingness to abandon all attempts to overthrow the Kuomintang, its policy of land confiscation by force and bolshevization and (2) its readiness to incorporate its army into the national armed forces and dissolve its Soviet government. Attention is called to the observance by the Communist Party of these principles.

A plea is made for united support by all factions of the leadership of Generalissimo Chiang Kai-shek both during the war and in the post-war period of reconstruction and the party indicates its desire to discuss with the Kuomintang the issues and to improve the relations between the two parties, thereby eliminating opportunity for Japanese intrigues and preserving a united front against Japanese aggression.

In contrast to the demands of the Chinese Government that the Far Eastern front not be subordinated to the European war zone, the Communist Party insists that Hitlerism should be defeated this year and that China, Great Britain and the United States would then be able to defeat Japan in 1943.

The Embassy does not know what reply the Kuomintang has made to the Communist Party's statement. In view, however, of the existing circumstances under which the Communist armies in the Northwest are, according to all reports, very poorly equipped and are blockaded by approximately 400,000 of the National Government's best equipped troops under General Hu Tsung-nan, the Kuomintang may be expected to oppose any participation by the Communist Party in post-war reconstruction, with force if necessary.

Respectfully yours,

C. E. GAUSS

893.00/14870 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, August 19, 1942—1 p. m.

[Received August 20—6:25 a. m.]

954. 1. Wong Wen-hao, Minister of Economics, who returned last week from a special mission of a month's duration in Sinkiang, has

communicated the following information to Vincent in strictest confidence:

(a) Sheng Shih-tsai, for the past 9 years chief of the Sinkiang Government which has been strongly under the Russian influence, has indicated his willingness to recognize the authority of the Chungking Government to subordinate the Provincial Government to the National Government and to permit the extension of Kuomintang influence to Sinkiang. Sheng has written a letter to Molotov confirming his allegiance to the Chungking Government. Informant is not yet aware of Russian reaction to Sheng's *volte-face* but expresses concern over the situation in view of the strong position politically and economically which Russia has occupied in Sinkiang in late years. He states that Russian troops serving in Sinkiang forces under the Chinese flag are numerous especially at Tihwa where he spent several weeks and at Hami. He anticipates that extension of Chinese influence into Sinkiang is confronted with obstacles despite Sheng's declared allegiance to Chungking.

(b) Sheng is taking steps to eliminate Chinese Communist elements which in recent years have become strong in the Sinkiang Government. Informant states that Communist influence, which Sheng is undertaking to eradicate, is strong, open and highly placed in Sinkiang. It is Chinese with Russian support. In Kansu, he found that Communist influence was consequential but under cover, and was Chinese without Russian support.

The economic situation in Sinkiang is not unfavorable, although there is currency inflation—not so prominent as in China proper, but nevertheless obvious. The provincial currency is not tied to National Government currency. Ninety percent of Sinkiang's export trade is with Russia. Russia has made extensive investments in the province. The oil fields have first class equipment owned by Russia. They are producing only twenty to thirty thousand gallons of gasoline monthly, but informant felt that production could be increased considerably. He is anxious (but recognizes the difficulty) that the Chinese Government gain control over the operation and production of the fields. (Embassy must request strict protection of the source of the information in the foregoing paragraphs.)

2. Chiang Kai-shek is reported to be in Lanchow now conferring with Sheng Shih-tsai.^{29a}

^{29a} In telegram No. 982, August 29, 10 a. m., p. 146, Ambassador Gauss reported in part: "Generalissimo is still in Lanchow. Unconfirmed reports indicate that Sheng Shih-tsai, Chairman of the Sinkiang Government, is to be replaced by General Ho Yao-tsu, at present Aide-de-camp to the Generalissimo, that National Government troops from Hu Tsung-nan's command are already moving into Sinkiang; and that Sheng is to receive some nominal position, such as pacification commissioner for certain northwest provinces or may be summarily cashiered". (740.0011 Pacific War/2777)

3. Service,³⁰ Embassy Third Secretary now in Kansu, reports that recent replacement of General Ma Pu-ching's forces in North Kansu by Central Government troops puts Chungking in position to apply direct military pressure on Sinkiang; that Chungking Government's immediate objective is control and exploitation of Sinkiang resources principally oil and control of communications and that Chinese expect that their efforts to get a foothold in the province will be facilitated by Russo-Japanese hostilities.

4. It is not practicable now to make an appraisal of new course of events in northwest. It would appear obvious that Chinese Government is taking advantage of situation in Russia to extend its influence into Sinkiang at Russian expense. Politically it is of course operating within its rights. What will be reaction of inhabitants, majority of whom are not Chinese but Turks and distrustful of Chinese, if [*is*] question for future. They would not unaided be able to resist Chinese but given Russian support they might become formidable obstacle to Chinese plans. They do not seem to have suffered from Russian influence of recent years and it is far from certain that Russians are in fact prepared to accept designed consequences of Sheng's transference of allegiance although they may find it necessary and politic in present circumstances to refrain from open opposition.

GAUSS

893.00/14871 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, August 25, 1942—11 a. m.
[Received 10:35 p. m.]

971. Reference Embassy's 954, August 19, 1 p. m. Responsible Russian official, discussing recent China-Sinkiang developments with Vincent, commented as follows:

Chungking Government officials had long been needlessly suspicious of Russian relations with Sinkiang and that he therefore welcomed indications that the Sinkiang Government was drawing closer to Chungking, a development which he hoped would place the Russian position in proper perspective. Russia was interested in a continuation of its trade relations with Sinkiang (relations which are mutually beneficial and which cannot rationally be replaced by relations with China) and in the eventual development of Sinkiang resources with Russian assistance if desired (so far Russia has been of assistance only in limited development of oil [apparent omission] good humor [*sic*], that although China seemed to be taking advantage of a "military

³⁰ John Stewart Service.

situation" to further its interests in Sinkiang, Russia did not object and hoped that China would realize that fears of Sinkiang becoming a member of the USSR would disappear.

Insofar as Russia was concerned, Sinkiang was an area having a long common boundary with Russia with which Russia desired to remain on neighborly terms.

The foregoing should be accepted with reservation in the light of past 10 years as a conservative statement in sense that it may represent a desire to rationalize an unwelcome but unavoidable development but Embassy nevertheless gains impression that Russians are not in fact especially concerned over probable new turn of events in Sinkiang.

GAUSS

893.20/760 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, September 5, 1942—9 a. m.

[Received 9:47 p. m.]

1005. 1. Vice Minister of Information Tong³¹ told Vincent the following in confidence:

A military conference will be convened at Sian shortly. In addition to discussions of northwest military problems in the light of recent developments in Sinkiang, the conference will take up Central Government relations with the Chinese Communists in North Shensi. Mao Tse-tung, invited to attend, declined but is sending a representative. The Generalissimo will probably attend the conference. He had a long talk with Chou En-lai, Communist representative in Chungking just before he, Chiang, departed for northwest.

2. It is understood that proposal along following lines will be made to Communists: (1), that they permit the complete integration of Communist armies with National army; (2), that Communist controlled territories be placed completely under Kuomintang Government administration and, (3), that Communist leaders, including Mao Tse-tung, come [come] to Chungking where they will be completely free to organize their party and play their role in national affairs.

3. Informant mentioned in paragraph 1 speaks of rift in Communist ranks, describing it as a difference between indigenous or "Chinese Communists" and "Russian Chinese Communists". He thinks the former may go [be?] prepared to "Cooperate" with the Kuomintang.

³¹ Hollington K. Tong.

4. The Embassy is not sanguine over the outcome of the conference. Chiang Kai-shek is no doubt anxious to settle once and for all the Communist problem. Fortified with his success in Sinkiang and taking further advantage of the present adverse military situation of Russia and its probable involvement with Japan in Siberia; he hopes to liquidate the "Communist menace" in the northwest. It appears likely however that the Yen-an Communists will reject the proposals listed in paragraph 2. Whether the Generalissimo will then authorize a use of force remains to be seen. The suggestion in paragraph 3 of a split in the Communist ranks may give a clue as to future line of action. So-called "Chinese Communists" may be produced who will agree to the proposals, a united front will be established, and if internal and external factors appear favorable, an attack may be launched on the "non-cooperative" Communists in north Shensi.

GAUSS

893.00/9-842 : Telegram

*The Naval Attaché in China (McHugh) to the Chief of Naval Operations (King)*³²

On August 30th I was informed very confidentially by Dr. King [Kung] that negotiations were proceeding favorably by Gissimo at Lanchow for the extension of Central Government control over Sinkiang. He strongly intimated that the Russians are not pleased although they are not able to prevent this due to Chinese sovereignty over the area. He further asserted that the Soviets had engineered the murder of the Governor's brother by his wife as a protest to that official's visit to Chungking for preliminary talks in June. Dr. King [Kung] said that the Governor would retain his post and province will be opened to travel by foreigners. Central Government troops were standing by in Kensu [Kansu] but had not yet entered the province.

According to another usually reliable source I am now informed that on the 31st of August Madame Chiang arrived Urumchi together with representatives of Gissimo to consummate negotiations. The latter is remaining in Lanchow unable, possibly for reasons of face to go all the way, to meet the subordinate who himself is unable due to local tension to leave his province.

³² Paraphrase of code telegram transmitted to the Department of State by the Navy Department and received September 8. In telegram No. 1003, September 3, 10 a. m., the Ambassador in China referred to this telegram and added: "Information therein contained has been verified in part by me in conversation with Political Vice Minister of Foreign Affairs. It is believed that the Generalissimo has now proceeded to Urumchi." (793.94/17089)

The official party includes Kuomintang officials, military and Foreign Office, all of whom will be stationed here. It is probable that the arrangements will be similar to those in effect in Yunnan.

In the meantime Chiang has invited the Communist leader Mao Tze-tung to come to Lanchow. It is said that the latter is sending Lin Piao his Chief of Staff.

It is indicated at the present time that Gissimo has engineered an outstanding political victory both over the Chinese Reds and Moscow.

893.00/14886

The Ambassador in China (Gauss) to the Secretary of State

No. 612

CHUNGKING, September 10, 1942.

[Received October 6.]

SIR: I have the honor to enclose for the Department's information a translation of an article from the *Central Daily News* and *Soo Tang Pao* of August 23, 1942, and a China Information Committee Bulletin (Ministry of Information release) entitled "Democratic Features in Local Assemblies"²³ concerning the regulations governing the organization of and the election of delegates to the Provincial People's Assembly.

The Legislative Yuan on August 20 passed two sets of regulations, one governing the organization of the Provincial People's Assembly and the other the election of its delegates, to be presented to the National Government for promulgation at an unnamed future date.

These Assemblies envisaged in these regulations will have the power to enact provincial ordinances and to deliberate on the distribution of provincial expenditures, while the existing provisional people's assemblies have power only to make proposals to, listen to reports from and to interpellate the provincial governments. If any resolutions passed by the new Assemblies are contrary to the Three People's Principles or National policy, the President of the Executive Yuan, with the approval of the Yuan meeting, can petition the National Government to dissolve the provincial assembly concerned.

The People's Assembly in each province will be composed of one delegate from each county and municipality within that province. Delegates will be elected and can also be recalled by the county or municipal representative assemblies. To be eligible for election to the Assembly, a person must be a citizen of the Republic of China, over twenty-five years of age, must have maintained residence in the province in question for more than a year, must have been or be a

²³ Neither printed.

member of a county representative assembly and must have worked in a government organization or have devoted himself or herself to the promotion of public welfare in that province for more than a year. Persons holding positions in government organizations, in the Chinese army or police forces or still pursuing studies in school are not eligible for election.

While the proposed Provincial People's Assemblies do represent a further step toward representative government when compared with the existing provisional people's assemblies, sufficient safeguards have been retained on the power of these new assemblies in that no legislation contrary to national policy may be passed, the definition thereof apparently being left to the President of the Executive Yuan, and in that the Assemblies can only deliberate on the distribution of provincial expenditures and cannot control such action. However, as a means of education in the principles of representative government these assemblies and the county assemblies should serve to spread the elements of democratic practices among increasing numbers of Chinese people.

Respectfully yours,

C. E. GAUSS

893.00/14887

*The Ambassador in China (Gauss) to the Secretary of State*³⁴

No. 613

CHUNGKING, September 10, 1942.

[Received October 6.]

SIR: I have the honor to enclose a copy of a memorandum reporting several conversations in regard to the related matters mentioned in the subject heading.

With regard to developments in the northwest, the Embassy refers to its telegram no. 954, August 19, 1 p. m., and to subsequent telegrams on the subject.

With regard to the Sian conference (Kuomintang-Communist relations) reference is made to the Embassy's telegram no. 1005 of September 5, 9 a. m. As logical, desirable, and correct as the solution described by Drs. Wong and Tsiang for the communist problem may appear to be, it is felt that the communists will be loath to accept such a solution. Officially they consider themselves at present under the National Government (as distinguished from the Kuomintang). So does the National Government. But what amounts to a demand for their complete abandonment of identity (territorially, politically,

³⁴ In a memorandum dated October 16 from the Adviser on Political Relations (Hornbeck) to the Under Secretary of State (Welles), Mr. Hornbeck invited attention to this despatch and its enclosure.

and militarily) will probably meet with opposition, because, if for no other reason, the communists will not have confidence in the Government's promise to go through with the "quid pro quo" offer; that is, the offer of freedom to the communist party to organize and function in Chungking and in free China generally without interference. Past performance and the present repressive attitude of the Kuomintang and Government in free China support the communists' fears.

With regard to Sino-Soviet relations, the Embassy intends to follow the matter with close attention, believing that, if and when Soviet-Japanese hostilities occur, some fundamental or basic understanding between China and the Soviet Union will be imminently and eminently desirable for the prosecution of the war and the making of the peace in this area.

Respectfully yours,

C. E. GAUSS

[Enclosure]

Memorandum by the Counselor of Embassy in China (Vincent) to the Ambassador in China (Gauss)

[CHUNGKING,] September 9, 1942.

Subject: Developments in the Northwest;
Kuomintang-Communist Relations;
Sino-Soviet Relations.

This afternoon I called on Dr. Wong Wen-hao, Minister of Economics, and on Dr. T. F. Tsiang, Director of the Department of Political Affairs in the Executive Yuan (formerly Ambassador to Russia).

After disposing of the immediate question at hand—the transportation of strategic metals to Kunming for air transport to India—the conversation with Dr. Wong turned to recent developments in the northwest. Dr. Wong expressed himself as satisfied with the way matters had turned out in Sinkiang. He said that in so far as he knew Russian troops were still at Hami but he thought fears that Russia might make trouble over the extension of Chinese Government control to Sinkiang were ill-founded. He said that, based on his observations while in Sinkiang during July and on his subsequent conversations with members of the Russian Embassy here, he felt that Russia was in no mood to place obstacles in the way of the Chinese Government's plans for bringing Sinkiang back into the fold, politically at least. He said that the Foreign Office had already sent a representative to Tihua and that Sheng Shih-tsai had given clear evidence of his desire to subordinate the provincial administration to the National Government. The matter of the withdrawal of the

Russian troops might prove difficult but it was not, he thought, serious. He said that the assassination several months ago of the "fourth" brother of Sheng Shih-tsai (provincial government chairman) by Chinese communist agents had thoroughly frightened Sheng (this brother was married to a Russian communist who Dr. Wong thought had engineered the assassination). Sheng had been afraid for his own life. He had written to Moscow expressing suspicion that the Russian Consul General at Tihua had been implicated in the assassination, or at least was involved in communist plotting, and asked for his recall. The Russians had replied not unsympathetically but had denied that the Consul General was engaged in any activities other than those connected with the discharge of his official duties. Dr. Wong remarked that "this was to be expected."

General Chiang Kai-shek's successful visit to Tihua had been the culmination of developments since July. The removal of Ma Puching's troops from northwestern Kansu to Chinghai had cleared the way for loyal contingents of national government troops thereby placing the route from Lanchow to Sinkiang safely under government control. He did not say whether government troops had entered Sinkiang but I inferred that perhaps they had not, pending withdrawal of the Russian troops from Hami.

Dr. Wong said that he knew nothing of what had taken place or was taking place at the military conference at Sian which General Chiang is at present attending. He thought however that settlement of the Sinkiang problem would facilitate the discussions at Sian with particular reference to those related to the communists in north Shensi. Without expressing any optimism that it would be, he said the communist situation should be solved and that the solution lay in the communists (government and army) recognizing the authority of the National Government and in the Kuomintang's recognizing the right of the communist party to exist and play a role in national affairs without interference. He said that the existence within China of a communist government and army which, whatever the face-saving formal status, acted independently was an anomaly which should not be allowed to continue.

I asked Dr. Wong his opinion regarding Sino-Soviet relations in general; what he thought were the principal problems involved in those relations. He replied promptly that the situation he had just described—the communists in China—was the principal problem. He felt that, despite protests to the contrary, the communists in China were receiving aid and comfort from Russia which supported them in the attitude of independence. I asked what he thought could be done about this, suggesting that some understanding between China

and Russia along the lines of the recent Anglo-Soviet treaty³⁵ might be worth considering (when, as anticipated, Japan attacked Russia in Siberia) as a means of settling the problem he mentioned and of removing Chinese suspicions and distrust which no one could deny existed. He agreed adding that there were no fundamental problems between China and Russia that could not be solved. In fact, there was only the problem of the position of the Chinese communists in China and the attitude of the Russians toward them. He had no fear of Russian territorial designs upon China (Manchuria) at the conclusion of the war. There ensued some discussion of the desirability of China and Russia arriving at a basic understanding prior to peace rather than waiting for a peace conference to reach (or debate) such an understanding. I said that with mutual goodwill it should not be difficult to do so and that certainly the possibilities were worth exploring.

Dr. Tsiang and I discussed Ambassador Davies' book³⁶ on Russia and also a monograph which Dr. Tsiang had done some years ago on Russo-Chinese relations. He said that he was the "expert" on Far Eastern affairs to whom Mr. Davies referred in his book; that he and Mr. Davies had been close friends while they were together in Moscow. I asked for a copy of Dr. Tsiang's monograph but he said that there was no copy in Chungking; that it had not been translated into English; and that it only dealt with early Russo-Chinese relations from their beginning down to 1860. He spoke of one heretofore unpublished document he had found in Peking regarding the peace of 1860 which terminated the 1858-60 hostilities between China and the Anglo-French combination. He said that in this official Chinese paper he found the statement that, although it had been England and France which had made war on China and advanced to Peking, Russia was the nation against which China should be on guard.

The foregoing statement provoked a general discussion of present and prospective Sino-Soviet relations. There was nothing new in his remarks regarding Sinkiang developments. He seemed optimistic; mentioned a Russian "brigade" in Sinkiang as one of the principal still unsettled problems; said he did not feel that Russia really had political ambitions in Sinkiang; and considered commercial relations between Russia and Sinkiang as "natural as those between Canada and the United States".

With regard to the Sian conference, he, as Dr. Wong, hoped for a solution of the communist problem. The problem and the solution he described in almost identical terms as Dr. Wong. He was not op-

³⁵ Signed at London, May 26, 1942, League of Nations Treaty Series, vol. cciv, p. 353.

³⁶ Joseph E. Davies, *Mission to Moscow* (1941).

posed to a communist party in China but he was opposed to a communist government and army acting independently in China. He felt that, although the relation between the Chinese communists and the National Government was an internal problem, it involved relations between China and Russia. He believed that a satisfactory understanding between Russia and China with regard to Chinese communists or communism in China was essential to any fundamental agreement between the two countries, and that such an understanding should be simply one involving a sincere Russian undertaking to refrain from any interference in internal politics of China. He expressed himself as emphatically not among those who harbored some fear that, if Russia defeated Japan on land in the east, it would want territorial concessions in Manchuria or elsewhere. He referred back to his period as Ambassador in Moscow and said that he still felt that, had they received the support of their respective governments, he and Litvinov³⁷ could have produced a satisfactory solution of outstanding problems. Litvinov had agreed with him that the Chinese Government could not be expected to tolerate independent or semi-independent communist administrative or military organs in China. This was in 1937. The war with Japan followed soon thereafter.

Returning to the territorial question, Dr. Tsiang said that he felt about Outer Mongolia much the same as he felt about Tibet. He had some weeks ago told me that he thought that Tibet should have the status of a self-governing dominion and that Dr. Kung held the same view. He said that if both China and England refrained from any interference in Tibetan affairs the Tibetans would be able to govern themselves at least well enough to prevent the area from becoming an international problem. China's historical attitude toward Outer Mongolia had been mistaken. The Mongolians were in no sense Chinese and there was no valid reason for denying them self-government.

The sum and substance of Dr. Tsiang's remarks on Sino-Soviet relations was that, if Russia would give a sincere pledge to refrain from interference (actively or by propaganda and 3rd International tactics) in China's internal affairs particularly as they related to Chinese communism, a fundamental understanding between the two countries along the lines of the Anglo-Russian treaty would not be difficult to achieve. I said I thought the Russians might be prepared to give such a pledge.

In connection with these conversations with Dr. Wong and Dr. Tsiang, I recall remarks made to me by Dr. Kung some ten days ago in the course of a general discussion on political and military developments. Dr. Kung said that the Russian attitude toward the com-

³⁷ Maxim Litvinov, former Soviet Commissar for Foreign Affairs.

munists in China was the principal obstacle to easy relations between Russia and China and was sceptical with regard to the feasibility of any basic agreement between the two countries. He admitted the desirability, however, of reaching an early, pre-peace understanding with Russia and commented that "American influence with Russia is very strong at this time and America might be able to do something to bring about a satisfactory understanding or agreement."

JOHN CARTER VINCENT

(NOTE: In considering the foregoing comments of Dr. Wong and Dr. Tsiang, it should be borne in mind that these two officials represent a more moderate or liberal point of view regarding Chinese Communists and Russia than is to be found generally among leading military and Kuomintang officials who are by and large anti-communist and suspicious of Russia to a degree that is unreasoning and prejudicial to national unity and long-view interests. However, it is felt that the viewpoint of Drs. Wong and Tsiang is well worth consideration as representative of a large element in and out of the government which does not sympathize with the one-party "reactionarism" of the Kuomintang and military leadership as now composed. J. C. V.)

893.00/14890

The Ambassador in China (Gauss) to the Secretary of State

No. 617

CHUNGKING, September 12, 1942.

[Received October 15.]

SIR: I have the honor to refer to the Embassy's despatch no. 573 of August 13, 1942, concerning the statement of the Communist Party on the Fifth Anniversary of the Sino-Japanese War and to enclose for the Department's information a translation of an editorial³⁸ from the *Hsin Hua Jih Pao* (Communist Party publication) of August 24, 1942, entitled "The Chinese Communist Party Keeps Its Promises".

The editorial refers to the above-mentioned statement and repeats its adherence to the four principles enunciated by the Party at the beginning of the war: (1) realization of Dr. Sun Yat-sen's *San Min Chu I*, (2) cessation of attempts to overthrow the Kuomintang and suspension of the land confiscation policy, (3) abolition of the Party's Soviet Government and substitution of democracy in government and, (4) incorporation of the Red Army into the National Government's Army for service against the Japanese. The Party issues an open statement in order to discredit the existing rumors inimical to it and to its relations with the Kuomintang: (1) The Party expresses genu-

³⁸ Not printed.

ine willingness to fight for the realization of the *San Min Chu I* since these principles represent the real need of China today; (2) recognizing the life and death aspect of the war against Japan, the Party genuinely assumes the responsibility of service at the front; (3) since both in war and in peace close cooperation among all classes is essential, the Party is genuinely desirous of the cessation of civil strife; and (4) the Party's appeal for democratic government is genuine since it believes that democracy is both the aim of the people and the chief means of achieving unity and the mobilization of the people for war and for reconstruction.

Respectfully yours,

C. E. GAUSS

893.20/761 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, September 21, 1942—noon.

[Received September 22—8:21 p.m.]

1070. Reference my 1005, September 5, 9 a.m. Although it is probable that the Communist problem was discussed at military conference convened by Generalissimo at Sian, there was no Communist representative present due to tardiness in issuance of invitation and unfavorable travel conditions which did not permit the representative appointed, General Lin Piao, to arrive at Sian until after the departure of Generalissimo. General Lin is prepared to come on to Chungking for conference if Generalissimo so requests. Communist representative at Chungking anticipates that neither general settlement nor conflict will develop from present Kuomintang-Communist situation.

GAUSS

793.94/17093 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, September 21, 1942—1 p. m.

[Received September 22—10:17 p. m.]

1071. Reference previous messages regarding Sinkiang situation. Following is from a well-informed source.

The so-called "Russian Brigade" at Hami is reported to be two regiments of "white" troops recruited by Sheng Shih-tsai some years ago and still under his command. General Ho Yao-tsu was offered chairmanship of Sinkiang Provincial Government but declines to accept post until he is assured control also of troops in the Province. Hence, settlement awaits satisfactory disposition of Sheng's military forces including the Russian Regiments. National Government places

little confidence in Sheng. Chinese Communist members of the Sinkiang Government have been permitted to resign but to remain in Tihwa. It is not anticipated that Soviet Russia will place any obstacles in the way of settlement in Sinkiang.

GAUSS

793.94/17094: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, September 21, 1942—2 p. m.

[Received September 22—8:23 p. m.]

1072. For information of the Department only and not for other Government agencies. The information contained in Embassy's Nos. 1070 and 1071 was obtained from Chou En-lai, Communist Party representative in Chungking.

GAUSS

893.00/14896

*Memorandum by the Ambassador in China (Gauss) of a Conversation With the Chinese Political Vice Minister for Foreign Affairs (Fu)*³⁹

[CHUNGKING,] September 28, 1942.

During a visit to the Foreign Office this afternoon, after disposing of the matters which were the occasion of my visit, I turned the conversation into general channels and found opportunity to ask whether progress is being made in the adjustment of the situation in Sinkiang.

Mr. Fu replied that matters are proceeding satisfactorily and the Soviet attitude has been reasonable. The Chairman of the Sinkiang Provincial Government, General Sheng Shih-tsai, also is cooperating satisfactorily. Mr. Chaucer Wu, he said, had arrived in Sinkiang as Commissioner of Foreign Affairs and all foreign affairs in the Province are now in his hands under control and direction of the central government. It is proposed to effect a reorganization of the province and to bring internal matters and also Party matters more firmly under national government supervision.

I asked whether the so-called "Russian brigade" is still at Hami, whether any difficulty is being experienced in this matter of troops; are the Russians of this brigade "white" or "red" and are they provincial troops. Mr. Fu said that the Russians are provincial troops, "whites" turned "red"; and then he went on to say that of course the whole matter of the discussions with the Soviet Government is one of extreme delicacy and that it must be handled with the greatest care.

³⁹ Copy transmitted to the Department by the Ambassador in China in his covering despatch No. 650, September 29; received October 30.

However, so far, the Soviet Government attitude has been reasonable.

I referred to the fact that Sinkiang adjoins Soviet territory and being distant from Chinese commercial centers in China proper, it is but natural that there is considerable border trade between the U. S. S. R. and Sinkiang, and presumably the Russians are particularly interested in the development of Sinkiang as an immediately adjoining territory. Mr. Fu replied that he thought perhaps there is too much Russian interest in the development of Sinkiang; and he added with a smile that there is even talk of inviting Americans and the British to come into the Province (presumably, to offset Soviet influence). I took occasion to mention the oil development in Sinkiang, inquiring whether this was not principally a Soviet development. Mr. Fu hesitated and then replied that he thought it would become necessary to have some discussions with the Soviet Government on this development; that he expected that such discussions would be opened. After making this statement he apparently thought better as to this disclosure and asked me to regard it as strictly confidential between us and not to be passed on. As I felt that I had developed this general subject as far as I could at this conversation, I passed on to other topics.

C. E. GAUSS

FE Files, Lot 52-354

Memorandum Prepared in the Department of State

[WASHINGTON,] October 3, 1942.

The simple facts are that on March 7, 1941,⁴⁰ there was held between the Chinese Ambassador, Dr. Hu Shih, and the then Chief of the Chinese Purchasing Mission, Dr. T. V. Soong, and Messrs. Hornbeck and Hamilton of the Department of State a general discussion of the general political situation in the Far East. In the course of this conversation Dr. Hu and Dr. Soong gave an extended account of the relations between the Central Government of China and the Chinese "Communists", with indication that neither of them felt that this situation was especially serious. Mr. Hornbeck offered comment that the effects of the continuing dissension between the "Communists" and the Chinese Government were more important than the causes; and Mr. Hamilton made comment that the United States was of course solicitously interested in the question of China's unity and stability. Mr. Hornbeck's and Mr. Hamilton's comments were based upon and were in line with an antecedently prepared memorandum of March 6,

⁴⁰ See memorandum of March 7, 1941, *Foreign Relations*, 1941, vol. v, p. 610

1941,⁴¹ in which the one and only reference to the question of conflict between Chinese parties or groups read as follows:

"We have also been concerned over reports of dissension between the Kuomintang and the Chinese Communist forces. Chinese unity has, as the Ambassador and Mr. Soong are aware, comprised one of the principal factors in our policy toward China for many years and this Government's interest in the progressive maintenance of Chinese unity continues. Indeed, the importance of the maintenance of Chinese unity cannot be overestimated at the present serious juncture in world affairs."

Neither in this conversation nor in any other have any officers of the Department of State concerned with Far Eastern affairs given the Chinese any advice in any way in line with that which is suggested in Mr. Browder's⁴² intended statement⁴³ under consideration. On the contrary, this Department has always deprecated civil strife in China and over a period of many years, including recent years, has exerted its influence toward the discouraging of any such strife. Any allegation that the United States Government would be displeased or has said that it would be displeased if "unity was established in China" is the exact opposite of the truth. The American Government has at no time entertained a policy of "war against the Communist" in China. In fact, this Government has repeatedly expressed skepticism regarding alarmist accounts of the serious menace of "Communism" in China. The affirmation that officials of the Department "tell Chungking it must continue to fight the Communists if it wishes United States friendship" is an absolute and complete lie. The attribution to the Department of State of "responsibility for withdrawing a million Chinese troops from the war against Japan" and keeping China "back from full unity in this war" is a deliberate distortion of truth: the Department of State has encouraged the cause of unity in China; the Department has at no time made any suggestions to the Chinese regarding the distribution of their armed forces; and the Chinese themselves, notwithstanding attempts by irresponsible outside parties to keep alive and intensify points of disagreement between the Chinese Government and the Chinese "Communists", are unified in military operations in resistance to Japan.

⁴¹ See memorandum by Mr. George Atcheson, Jr., February 13, 1941, revised March 6, *Foreign Relations, 1941*, vol. v, p. 608.

⁴² Earl Browder, General Secretary, Communist Party of U. S. A.

⁴³ For statement, see the *New York Worker*, October 4, 1942, front page, under banner heading: "Browder accuses State Dep't clique". Mr. Browder charged that reactionary officials in the Department were encouraging Generalissimo Chiang Kai-shek to keep his best armies out of the war with Japan with a view to liquidating Chinese Communist armies. No copy of "intended statement" found in Department files.

893.00/14897

*Memorandum by the Counselor of Embassy in China (Vincent) to the
Ambassador in China (Gauss)* ⁴⁴

[CHUNGKING,] October 7, 1942.

During the dinner given by the Generalissimo and Madame Chiang for Mr. Willkie ⁴⁵ (October 3) I had an opportunity for an extended talk with Mr. Foo Ping-sheung, Political Vice Minister for Foreign Affairs. Regarding recent developments in Sinkiang Province, Mr. Foo stated that the Russian reaction to an extension of central government control to the province had been satisfactory, and gave two reasons for the present Russian attitude. The Soviet Government realizes now that the policy of penetration into Sinkiang was a mistake even as they found that the policy which supported and encouraged the activities of Borodin ⁴⁶ and the Comintern in China during the twenties was a mistake. (It is worthy of note that the Russian "penetration" into Sinkiang during the thirties occurred at a time when central or Kuomintang government influence in the province was virtually non-existent and that the character of the penetration was largely economic and commercial; was not at the expense of China proper in as much as trade relations and Chinese investment were also virtually non-existent; and was beneficial to the inhabitants of the province and to economic development.) The other reason is the realization by the Soviet Government that, in the event of a Japanese attack on Siberia, Chinese good will will be very helpful and that therefore the amicable removal of possible sources of friction or misunderstanding is good policy. (In this connection it is pertinent to recall Mr. Willkie's comment to the effect that Stalin had within recent weeks ceased to be especially concerned with regard to a Japanese attack on Siberia.)

I asked Mr. Foo what he thought of the possibility of carrying the good start made in Sinkiang further to reach a general basic understanding with Russia regarding present problems and post war relations—something along the lines of the Anglo-Soviet agreement in the event of a Japanese attack on Siberia. Dr. Foo said it would be advantageous to have such an agreement, indicated that he had long favored closer understanding between Russia and China, but seemed to feel that it would be difficult of achievement. (He probably had

⁴⁴ Copy transmitted to the Department by the Ambassador in China in his despatch No. 669, October 8; received October 30.

⁴⁵ Wendell Willkie, Republican presidential candidate in 1940.

⁴⁶ Michael Borodin, Soviet agent in China, 1923-27.

in mind the strong, prevalent belief in conservative and military circles that the Chinese communists in Shensi Province are supported by Moscow and that Moscow would not withdraw that support.) He expressed the opinion—similar to that expressed to me by Dr. Kung several weeks ago—that America might be able to bring its influence to bear toward effecting some basic understanding between China and Russia. He agreed that such an understanding should precede the convening of a peace conference.

Dr. Foo then made the rather startling statement that there was some feeling that the Anglo-American combination was not being entirely frank with China. He said that it was essential that complete confidence be maintained with regard to plans and aims. I told him that I felt that America had made its aims completely clear; that it could not undertake to speak for Britain; and that I did not think there was any “Anglo-American” understanding hidden from China.

The conversation then turned to the Foreign Office’s recent complaint to the Embassy regarding articles in American magazines critical of China (Edgar Snow’s article in the August 8 issue of the *Saturday Evening Post* in particular). I told Mr. Foo that the American Government did not exercise control over expressions of opinion in the press and that I felt he would agree with me that it would be undesirable for it to attempt to do so. We placed a very high value on the freedom of the press; the press was free to criticize the activities of the American Government; and it would be unwise to exercise control over expressions of opinion either on foreign or domestic matters except where military strategy and operations were concerned. Mr. Foo agreed. He said that it had been unfortunate that the American press during the months following Pearl Harbor had been so fulsome in its praise of China; that this had misled Chinese into thinking more of their role than was warranted; and that criticism now came as a shock to many. He said what China needed and wanted was neither praise nor criticism but American air support for its armies.

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

103.9166/2303

Memorandum of Conversation, by the Second Secretary of Embassy in China (Davies) ⁴⁷

COMMENTS BY CHOU EN-LAI—OCTOBER 11, 1942

In my conversation with Mr. Chou En-lai, I first raised the question of the alleged attack by Communist forces on General Yu Hsueh-chung, the commander of Central Government troops in Shantung.

⁴⁷ Copy transmitted to the Department by the Ambassador in China in his covering despatch No. 683, October 15; received November 27.

Mr. Chou asserted that there had been no Communist attack on General Yu, but that certain dissatisfied elements among General Yu's Manchurian officers had mutinied. The mutiny, however, was not serious.

With regard to a reported worsening of relations between the Central Government and the Communists and alleged demands made by the Government that the Communists accept a position as one of several political parties, abandon their administrative control over certain areas and disband their armed forces or else expect punitive action, Mr. Chou remarked that to the contrary relations appeared to have improved somewhat. He himself had noticed no change in the attitude of the Central Government, but General Lin Piao (Communist general now visiting Chungking) reported having been agreeably entertained in Sian by General Hu Tsung-nan.

Mr. Chou stated that no Central Government troops had yet entered Sinkiang, but that three armies were in Kansu waiting to enter Chinese Turkestan. In his opinion, Sinkiang can easily be taken over by the Central Government, provided that the Government does not rush matters. He observed that Sinkiang authorities were men of little ability. In reply to my question about Soviet troops in Sinkiang, he declared that there were only some white Russians and former Manchurian troops, plus, of course, the provincial forces.

[Here follow observations on military situation and military proficiency.]

You ^{47a} may be interested, as a sort of postscript, in some of Mr. Chou's observations on the Generalissimo. He proclaimed his loyalty to General Chiang, declaring that the Generalissimo was not the leader of one party or faction but of the whole people. To my question whether anyone spoke out his mind to the Generalissimo, he replied in the affirmative. The Generalissimo answers such frankness in this fashion, Mr. Chou explained. To the old and venerable he replies, "Your heart is good, you are experienced, but you do not understand progressive methods." To the young enthusiast he replies, "Your heart is good, you understand progressive methods, but you are without experience." And to the non-Kuomintang elements he says, "You have had experience, your method seems to be progressive, but your motives are suspect."

JOHN DAVIES

^{47a} Reference is to General Stilwell, for whom this memorandum was prepared.

FE Files, Lot 52-354

*Memorandum Prepared in the Department of State*⁴⁸

[WASHINGTON, October 12, 1942.]

With regard to the specific "charge that it is on the advice of reactionary officials in the State Department that Chiang Kai-shek is keeping his best armies out of the war", the simple fact is that the nearest approach to "advice" given by any officials in the Department of State in this context has been an expression of an opinion that civil strife in China, at all times unfortunate, would be especially unfortunate at a time when China is engaged in a desperate struggle of self-defense against an armed invader. The implication of this expression of opinion was that the Chinese Government should try to maintain peace by processes of conciliation between and among all groups or factions in China. And, the course which Chiang Kai-shek has been pursuing is *not* "keeping his best armies out of the war". Both the armies of the National Government and the "communist" armies are fighting the Japanese. No Chinese armies are actively engaged in large scale offensive operations against the Japanese—for the reason, principally, that there is lacking to all Chinese armies types and amounts of equipment which are essential to such operations; but this situation is one which both the Chinese Government and the American Government are endeavoring to remedy as equipment becomes available.

With regard to the specific charge that "the State Department in Washington has informed Chungking's representatives that our Government would be *displeased* if complete unity was established in China between the Kuomintang and the communists", what this statement alleges is the exact opposite of the fact. The State Department in Washington has at all times taken the position, both in diplomatic contexts and publicly, that the United States favors "complete unity" among the Chinese people and all groups or organizations thereof.

With regard to the specific charge that "these officials continue the old policy of 'war against the communists' in China", this Government has had no such policy, either "old" or new. This Government has in fact viewed with skepticism many alarmist accounts of the "serious menace" of "communism" in China. We have, for instance, as is publicly and well known, declined to be moved by Japanese contentions that presence and maintenance of Japanese armed forces in

⁴⁸ This statement was printed in the New York *Worker*, October 16, 1942, and quoted in other papers, as having been handed Mr. Browder by the Under Secretary of State (Welles) on October 12. No indication on file copy as to office of origin.

See testimony by Earl Browder on April 27, 1950, in regard to this statement from Mr. Welles, *State Department Employee Loyalty Investigation: Hearings* before a subcommittee of the Committee on Foreign Relations, United States Senate, 81st Cong., 2d sess., pursuant to S. Res. 231, pt. 1, pp. 675, 682, 686-687, 704-705.

China were and would be desirable for the purpose of "combatting Communism".

With regard to the specific charge that officials of this Government "tell Chungking it must continue to fight the communists if it wishes United States friendship", the simple fact is that no officials of this Government ever have told Chungking either that it must fight or that it must continue to fight the "Communists"; this Government holds no such brief; this Government desires Chinese unity and deprecates civil strife in China; this Government treats the Government of China as an equal; it does not dictate to the Government of China; it does not make United States friendship contingent; it regards unity within China, unity within the United States, unity within each of the countries of the United Nations group, and unity among the United Nations as utterly desirable toward effectively carrying on war against the Axis powers and toward creation and maintenance of conditions of just peace when the United Nations shall have gained the victory which is to be theirs.

893.01/938

*The General Secretary of the Communist Party of the U. S. A.
(Browder) to the Under Secretary of State (Welles)*⁴⁹

NEW YORK CITY, October 13, 1942.

MY DEAR MR. WELLES: It is my plan to make a press statement next Thursday,⁵⁰ in the course of which it seems desirable to quote your exact formulations of the State Department's position as these formulations appear in the prepared, typewritten portion of your remarks of yesterday. As I understand it there would be no objection to this on your part.

I very highly appreciate the frank and helpful character of the cooperation you have shown us, which we feel will add to the effectiveness of our work for the victory.⁵¹

Most sincerely yours,

EARL BROWDER

⁴⁹ Transmitted on October 14 by Mr. Welles to Mr. Hornbeck and Mr. Hamilton, "For your information."

⁵⁰ October 15.

⁵¹ There was further correspondence in regard to the memorandum handed by Mr. Welles to Mr. Browder on October 12. In response to letters of inquiry, Mr. Welles asked the Division of Far Eastern Affairs to make reply; the Assistant Chief (Atcheson) did so on October 29 and November 13, respectively. Mr. Atcheson stated that the memorandum "has not been published by the Department. However, a verbatim text of the memorandum, as given by Mr. Browder to the press, appeared in the October 18 [16], 1942 issue of *The Worker*" (711.93/500); and that the same memorandum "was referred to in the press, including the *New York Times* and the *New York Herald Tribune* of October 16" (711.93/504½).

For correspondence as printed, see *Institute of Pacific Relations: Hearings before the subcommittee to investigate the administration of the Internal Security Act and other internal security laws of the Committee on the Judiciary, United States Senate, 82d Cong., 2d sess., on the Institute of Pacific Relations, pt. 14, May 2 and June 20, 1952, Exhibits Nos. 1315 A-H, pp. 4924-4929.*

893.01/838

*Memorandum Prepared in the Department of State*⁵²

The American Government has for a hundred years pursued a policy favoring maintenance of the independence and the integrity of China. In pursuing this policy, this Government has at all times believed it desirable that the Chinese nation be and continue to be united. It has used its influence in opposition to events, movements and trends directed or leading toward disintegration, partitioning, break-up or subjugation of China. An outstanding and accurate expression of this Government's attitude was that which was given in 1900 when President McKinley declared, "the policy of the Government of the United States is to seek a solution which may bring about permanent safety and peace to China, preserve China's territorial and administrative entity, protect all rights granted [*guaranteed*] to friendly powers by treaty and international law, and safeguard for the world the principle of equal and impartial trade with all parts of the Chinese Empire."⁵³

It has been this Government's practice not to interfere in China's internal affairs. Officials of the American Government have developed and maintained outstandingly cordial relations with officials of the Chinese Government, both in official and in personal contacts. On rare occasions the American Government has in an utterly friendly manner expressed to the Chinese Government views relating to political situations and developments within China. On every such occasion the expression of views has been in line and in harmony with the broad principles of policy mentioned above. Believing in the principle of Chinese unity because of its advantages to the Chinese people, the Chinese state and the Family of Nations, and desiring that China prosper and be strong and be able to preserve her independence, the Government of the United States has deprecated civil strife in China and has suggested conciliatory attitudes and procedures by and on the part of contending groups or factions among the Chinese. At no time have we suggested use of force by Chinese against each other, or use of force by China for any purpose of aggression against any other country. At no time have we made any suggestions to the Chinese regarding the distribution of their armed forces.

The only suggestions which the Department of State or any of its officials have ever made bearing in any way upon the relations be-

⁵² Original, bearing stamp of the Division of Far Eastern Affairs, October 14, 1942, transmitted on October 15 to Mr. Welles by Mr. Hamilton. Copy bearing penciled notation "October 12, 1942 (?)" in FE Files, Lot 52-354 (Box #1, "October").

⁵³ Department circular telegram of July 3, 1900, *Foreign Relations*, 1900, p. 299.

tween the Chinese National Government and the "Communists" in China have been suggestions that civil strife under existing conditions would be most unfortunate. We have made no suggestions whatever that armed force be used.

893.01/938

Memorandum by the Chief of the Division of Far Eastern Affairs (Hamilton) to the Under Secretary of State (Welles)

[WASHINGTON,] October 15, 1942.

MR. WELLES: Mr. Hornbeck and I, upon giving further consideration to the matter, are of the opinion that if Mr. Browder is to give out and publish the other statement which you gave him⁵⁴ it would be well for Mr. Browder to publish this statement⁵⁵ also.

(If this statement is to be sent to him, the first page would need to be retyped in as much as it bears the FE date stamp.)⁵⁶

M[AXWELL] M. H[AMILTON]

893.00/14893: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, October 24, 1942.

[Received October 24—1:58 p. m.]

1221. The Third Peoples' Political Council held its inaugural meeting on October 22 with 204 delegates in attendance.

Lin Sen, Chairman of the National Government, in address to Council expressed belief that China was progressing toward democratic principles of Sun Yat-sen but warned that attainment of democratic government must be gradual; stated that with abolition of extraterritoriality⁵⁷ China's international position higher and responsibilities and sphere of war action greater; and that people must work together with government to enable China to fulfill obligations as one of United Nations and to achieve its objectives.

Generalissimo Chiang Kai-shek addressing Council stated China was the most important member of forces fighting on continent of East Asia but was no longer fighting alone; that China has already

⁵⁴ See statement of October 12, p. 248.

⁵⁵ *Supra.*

⁵⁶ In reply to an inquiry dated May 19, 1950, Mr. Hamilton wrote on May 26: "I have no recollection of having had any knowledge regarding the occasion of Mr. Browder's call or of the statement handed to Mr. Browder by Mr. Welles until after Mr. Browder had called and had been given the statement" (893.01/938).

⁵⁷ For further correspondence on this subject, see pp. 268 ff.

passed from defensive to offensive; that Japanese [army?] is now encountering reverses and difficulties and faces future of uncertainty; that Soviet Russia has not relaxed her vigilance on Siberian front; that collaboration between China and Great Britain, the United States, Russia and other Allies has increased and financial and material assistance to China has resulted therefrom, and that abolition of extraterritoriality gives added responsibility to China which must assume equally heavy share of war burden. He named four important points in present situation: (1) defeat of Axis certain, (2) war will be long, (3) Allied war production assures victory, and (4) post-war world will be one of equality and freedom among nations; referring to action taken on economic front by American Government and to lack of effective measures in China, enumerated four points for guidance of Council: (1) prevailing tone of social life must be changed and frugality emphasized, (2) prices must be stabilized, (3) wartime financial policy must be founded upon direct taxation, subscription to public loans, collection of land tax in kind and promotion of savings, and (4) conscription of man power for military and labor service should be supplemented by voluntary enlistment and prevention of evasion and abuse; and concludes with appeal for awareness of responsibility on part of government and people following promise of abolition of extraterritoriality by Great Britain and United States.

GAUSS

893.00/14903

The Ambassador in China (Gauss) to the Secretary of State

No. 712

CHUNGKING, November 5, 1942.

[Received November 30.]

SIR: I have the honor to refer to the Embassy's despatch no. 157 of September 25, 1941, and to enclose a copy of Daily Bulletin no. 489 of November 3, 1942,⁵⁹ issued by the China Information Service entitled Wartime Control of Public Organizations.

Since its establishment in December, 1940, the Ministry of Social Affairs has been very active in pursuing the program outlined in the enclosed bulletin. To what extent organizations are in actual existence or exist simply on paper the Embassy has not been able to determine.

As a wartime measure control such as planned by the Social Affairs Ministry may be warranted although doubt exists that it has any appreciable effect on the prosecution of the war. Rather it is generally viewed as part of the program of the Kuomintang, and par-

⁵⁹ Neither printed.

ticularly of the so-called "C-C" clique within the Party, to extend party influence and organization into every phase of social life and thus to strengthen the Party against the feared reaction that may set in after the termination of the war against exclusive, conservative, Kuomintang control of the government.

Incidentally, the cooperative enterprises and societies mentioned in the bulletin are Party sponsored organizations not to be confused with the Chinese Industrial Cooperatives. It is known, however, that the Ministry of Social Affairs has been desirous of bringing the Chinese Industrial Cooperatives under its control.

Respectfully yours,

C. E. GAUSS

893.48/3069

The Ambassador in China (Gauss) to the Secretary of State

No. 721

CHUNGKING, November 13, 1942.

[Received December 30.]

SIR: I have the honor to refer to the Department's telegram no. 1022 of November 3, 5 p. m., and my reply, no. 1294 of November 6, 2 p. m.,⁶⁰ and to transmit copy of a confidential memorandum on the famine in Honan, prepared by Third Secretary John S. Service, who has recently returned from a brief visit to the province.⁶¹

Conditions in Honan have been deteriorating for several years. Honan is a front-line area in the Chinese war of resistance to the Japanese, who threaten the province from the north, south and east. The farmers of Honan have been required to produce food not only for the normal population but for the large Chinese military forces stationed in the area. Now has come a failure of the spring and summer crops. Taxation in kind and the requisitioning of foodstuffs for military use have drained off most of the 20% crop of this year. As a result more than two million persons may starve while some ten to eighteen million will be seriously affected. Lines of transport into the province are limited and are being monopolized to move supplies for the military. The Government was slow in recognizing the famine situation in the province and there is, apparently, much complaint and criticism by the people.

Respectfully yours,

C. E. GAUSS

⁶⁰ Neither printed.

⁶¹ Memorandum not printed. It stated, among other things, that at some points "the situation has been made worse by flood after a new opening of the dikes by the Chinese army in an attempt (reportedly unsuccessful) to divert the Yellow River so as to cut off the Japanese foothold established last Fall on the west bank." In conclusion, Mr. Service said: "There is as yet no indication that an upheaval is near. . . . But the atmosphere of longing for peace and of dislike of the government and army which are supposed to protect them is unmistakable."

893.00/14900 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, November 16, 1942—10 a. m.

[Received November 17—10:51 a. m.]

1334. Central Executive Committee of the Kuomintang began its annual session on November 12. Due to the unusual amount of business on the agenda sessions are expected to continue for 2 weeks (to November 26) rather than for the customary week or 10 days. Reports are being submitted regarding party, political, military, economic and educational affairs. The Embassy has obtained the following information in confidence from CEC members :

1. Economic situation will apparently occupy first place in the Committee's considerations. The Generalissimo is not satisfied with the progress being made under the National Mobilization Law. He is reportedly impressed with organization and activity in the United States to meet wartime economic problems. It is probable that a Ministry (or super Ministry) of Economic Warfare (or economic control or mobilization) will be organized. Many of the functions now performed by the Ministries of Economics, Finance, Food and Social Affairs would become centralized in new Ministry. The names of several officials are mentioned as possible heads of new Ministry: T. V. Soong and Chang Chun for instance, but Soong it appears will continue as Foreign Minister and the Generalissimo does not want Chang Chun to leave his present key post as Chairman of Szechuan Provincial Government. General Chen Cheng, Chairman of Hupeh Provincial Government and Commander of sixth war zone, is most likely candidate. His position as a long time close confidant of Generalissimo rather than any special qualifications in field of economic organization and management recommends him for job. The Generalissimo is no doubt sincerely anxious to strengthen economic structure of country or at least to prevent further deterioration. The past however is marked by so many ineffectual measures to meet economic problems that one cannot but be skeptical regarding success of new Ministry. When new Ministry comes into being, present Ministry of Economic Affairs under Dr. Wong Wen-hao will be changed to Ministry of Industry and Mining.

2. With regard to military affairs, it is understood that there is agitation for a reduction in the size and an improvement in the quality of the Chinese army. It is argued that such a move would measurably reduce the budget (military expenditures represent about 70 percent of total expenditures) thereby retarding currency inflation; would release men to meet shortage of agricultural workers; and would not adversely affect Chinese military effort. General Chen Cheng is the

advocate of such reorganization. General Ho Ying-chin agrees in theory and recognizes immense "practical" difficulties. It is doubtful that the issue will become an open one at the CEC or that anything will be done along the lines suggested although it is possible that Chen Cheng as head of the new Ministry might be able to accomplish something.

3. H. H. Kung is reporting on political affairs, and Chu Cheng, president of the Judicial Yuan, on party affairs. No significant changes in high government or party posts are anticipated.

GAUSS

893.00/14910

The Ambassador in China (Gauss) to the Secretary of State

No. 736

CHUNGKING, November 18, 1942.

[Received December 14.]

SIR: I have the honor to refer to my despatch no. 703 of October 29, 1942,⁶³ and to my telegram no. 1262 of November 2⁶³ concerning the Third People's Political Council and to enclose for the Department's information the following material⁶³ concerning the recently concluded session of the Council:

Central News Agency (Government-controlled) despatch summarizing Generalissimo Chiang Kai-shek's program for intensified control of commodity prices.

PPC Resolution approving adoption of the Generalissimo's program.

PPC Resolution adopting the report on the control and stabilization of commodity prices submitted by the Council's Committee on Financial and Economic Affairs.

List of Resolutions passed by the PPC as reported by the Central News Agency (in English language despatches).

Supplementary list of Resolutions passed by the PPC as reported by the Chinese press.

Speech delivered by Generalissimo Chiang Kai-shek at the closing session of the PPC.

The Third People's Political Council devoted its discussions, interpellations and resolutions primarily to economic and financial problems which were stressed in the speeches delivered by the Generalissimo and by Dr. Chang Po-ling as Chairman pro tem at the inaugural session. The Generalissimo's suggested program for an intensified control of commodity prices describes the causes and effects of the commodity price situation and sets forth remedial measures therefor: (1) the central direction of the price control machinery shall be placed in the hands of the National General Mobilization Committee and the

⁶³ Not printed.

executive work done through the various ministers, with particular attention to be given to the creation of provincial and district price control machinery; (2) the actual control shall consist of the imposition of price ceilings, the control of commodities, the promotion of production, the restriction of consumption, the improvement of transportation, intensification of currency and credit control, the adjustment of taxes, the retrenchment of the national budget, the mobilization of man power and the allotment of a substantial appropriation for the price control work. The Council after adopting the program suggested by the Generalissimo passed a resolution approving the adoption of the report on the control and stabilization of commodity prices submitted by the PPC Committee on Financial and Economic Affairs. This report which supplements and amplifies the Generalissimo's program sets forth recommendations concerning the general principles to be followed, the control machinery, the control measures and inspection and reward and punishment.

Other matters to which the Council gave considerable attention were the development of the Northwest and border regions, education (including promotion of education among Moslems, Mongols and Tibetans), development of industry, mining and communications and Overseas Chinese. The attention devoted to Overseas Chinese is particularly significant embracing as it does resolutions calling for rehabilitation of Overseas Chinese enterprises in the South Seas after the war, governmental aid for such enterprises, equality for all races in the South Seas, government instruction and guidance for those Chinese going to the South Seas and promotion of Chinese education in Malaya after the war. It should be noted that there is no indication in the newspaper reports of the Council's meetings of any recognition of Chinese participation in the war nor is there any criticism of the Chinese military effort. That is also true with respect to the question of democratic government, for there seems to have been little or no discussion of the elements of democracy or demand for constitutional government. Dr. Wang Shih-chieh, Secretary-General of the PPC, states that the Council passed a resolution calling for the speeding up of the establishment of district councils, said by him to be the real basis for representative government in China through their power of election of members of the provincial assemblies. Dr. Wang also states that the Third People's Political Council was the most representative group ever elected to membership and that the discussion and criticism of the Government's policy had been freer during the recently concluded session than during previous sessions. This he ascribes to the fact that a majority of the delegates was elected whereas in the past the majority had been appointed by the Government.

Represented among those delegates were nonparty engineers and professional men who were often critical of the Government's increasing encroachments upon the field of private enterprise.

Transmitted herewith is also a memorandum of conversation with Dr. Wang Shih-chieh concerning the Third People's Political Council.⁶⁴

News despatches of the Council's proceedings gave little prominence to the field of international relations, the announcement of the impending abolition of extraterritorial rights by the United States and Great Britain apparently having prevented wide discussion of such an objective. In this connection, one resolution was passed pointing out to the Government the necessity of the abrogation of all rights and privileges enjoyed by foreign powers in China that contravene the principle of equality and another was adopted requesting the government to draft a program for inviting Allied capital and technical cooperation. The Embassy has been reliably informed that Dr. T. V. Soong, at a session of the Council *in camera*, stated that he felt confident that the United States would give to China after the war the necessary economic and financial assistance for China's reconstruction.

Dr. Wang Shih-chieh and General Wu Teh-chen, Secretary-General of the Central Executive Committee of the Kuomintang, have informed the Embassy that there is being prepared for transmission to the Embassy a compilation of certain non-confidential reports of the proceedings of the Council which are not being released for publication. The Embassy will forward such material to the Department upon receipt thereof.

Respectfully yours,

C. E. GAUSS

893.00/14904 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, November 30, 1942—noon.

[Received 9:41 p. m.]

1405. Embassy's 1334, November 16, 10 a. m.

1. Generalissimo advocated organization of a new Ministry of Economic Control but was dissuaded from forcing the issue by sincere opposition in CEC which pointed out difficulties of administration. Chiang it seems at one time considered assuming headship of new Ministry himself due to inability to find suitable chief but probability that new Ministry would fail in accomplishing its objective

⁶⁴ Not printed.

was used as argument to prevail upon him to drop this idea. Economic Affairs will apparently continue to be administered as in past but with attempt at greater effectiveness in meeting the serious economic situation.

2. It is reliably reported (a) that Chen Yi has been unsatisfactory as Secretary General of Executive Yuan and will be succeeded by Chang Li-sheng, "C-C" party politician, former Minister of party organization and (b) that Wang Shih-chieh will resign as Minister of Information to be succeeded by Cheng Tien-fang, former Ambassador to Berlin.

3. It is further understood that Ministries of Information and of Justice will be placed under the Executive Yuan. The former has been "party" ministry and the latter ministry under Judicial Yuan.

GAUSS

893.00/149131

*Memorandum by the Assistant Chief of the Division of Far Eastern Affairs (Atcheson) to the Secretary of State*⁶⁵

[WASHINGTON,] December 8, 1942.

MR. SECRETARY: On November 17, 1942, the Chinese Minister at Washington⁶⁶ read over the *New York Herald Tribune* Forum a message from Generalissimo Chiang Kai-shek to the American people. A newspaper text of the message is attached.⁶⁷

Among the points made in this message, the following are of interest:

1. China repudiates the idea of "leadership of Asia", as such leadership would mean a continuation of the authoritarian principles which have been synonymous in Chinese minds with the domination and exploitation that China has suffered in the past.

This declaration is significant. It is in keeping with the logic of China's position and its language is unequivocal; however, strict adherence to it by China might be made dependent upon a later "effective organization of world unity", called for by Generalissimo Chiang. At the same time, the declaration precludes the idea of a "leadership of Asia" by non-Asiatic powers. A probable motive in making the declaration at this time is the desire of the Chinese Government to forestall accusations that China aims to supplant Japan in a dangerous overlordship of Asia.

⁶⁵ Drafted by Troy L. Perkins, of the same Division.

⁶⁶ Liu Chieh.

⁶⁷ Not attached to file copy of this document.

Editorial comments in the *New York Times* and the *New York Herald Tribune* recognize the importance of this statement and both warmly acclaim it. The *Herald Tribune* remarks that Generalissimo Chiang's repudiation of imperialist nationalism and acceptance of some rational limitation upon the concepts of untrammelled sovereignty is perhaps the clearest statement yet made on this subject by any of the heads of the United Nations.

2. In appealing for a world order that will achieve the aims of the United Nations, Generalissimo Chiang urges (a) that its organization be begun immediately and (b) that it embrace all the peoples of the world. His proposal that the principles of justice for all peoples be applied without delay "among ourselves even at some sacrifice" may be construed as referring to treatment not only of China but of India as well. The note of immediacy in organizing a world order was also sounded recently by Dr. T. V. Soong.

3. The message points out that the Chinese are democratic by instinct and tradition and that, given the untrammelled opportunity, China will develop democratic processes of government. It should be noted that, while social democracy, equality of opportunity and rudimentary forms of local self-government are traditional in China, our concept of government with the consent of the governed is not native to China, nor have the democratic principles of freedom of speech and assembly and the elective franchise been generally operative there. It will probably be many years, even under favorable conditions, before political democracy in our sense can be made an actuality in China.

4. The promise of economic justice for the masses has a ring of sincerity, aided by the candid admission that China has far to go before this objective is achieved. However, growing criticism in many quarters of the failure of the Chinese National Government to implement Dr. Sun Yat-sen's social and economic tenets, may be in part responsible for the renewed emphasis on economic justice in the message. In addition, the Chinese Government thus places itself in a more favorable position vis-à-vis the Chinese Communists, whose proposals for concrete reforms have aroused sympathetic interest abroad.

A further motive for the increased emphasis on democracy and economic liberalism at this time might be the desire of the Chinese Government to identify itself more closely with these principles in anticipation of the expected weight they will have in the peace conference.

G[EOERGE] A[TCHESON, JR.]

893.00/14918

The Ambassador in China (Gauss) to the Secretary of State

No. 786

CHUNGKING, December 11, 1942.

[Received January 4, 1943.]

SIR: I have the honor to refer to the Embassy's despatch no. 759 of November 27, 1942⁷⁰ in regard to contemporary developments in Sinkiang, and to enclose for the information of the Department a copy of an item appearing in *China Information Committee Daily Bulletin* No. 515 of December 5, 1942 under the title "Sinkiang Calls".⁷⁰

It will be observed that the item reports that the problem of the development of frontier regions, particularly Sinkiang, received special attention at the Tenth Plenary Session of the Central Executive Committee of the Kuomintang; and that the National Government currently intends to allocate a large sum of money to finance the emigration of young technicians and educators to Sinkiang; further, "The surplus staff of all government offices will be encouraged to work in the Northwest and Sinkiang." The item indicates that 10,000 persons will be invited from the various training corps and the Ministry of Education for migration to Sinkiang, each of whom will be permitted to take with him a family of five at Government expense.

Mr. Lone Liang, chief of the Western European Department of the Foreign Office, in a casual conversation with a member of the Embassy staff on December 10, confirmed that the Government proposed to move some 10,000 surplus officials and others into Sinkiang as reported, most of them having Tihua for their destination. Mr. Liang indicated that most of the concerned officials would belong to the older group of public servants, and said that the transfer had already begun. He stated that the Government was appropriating a large sum of money for various economic projects in Sinkiang, and that Chinese troops would also presumably be moved into the province. Mr. Liang admitted that the problem of housing the new arrivals upon their arrival in Tihua would be considerable.

Respectfully yours,

C. E. GAUSS

893.00/14909 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, December 12, 1942—10 a. m.

[Received December 13—2:05 p. m.]

1486. Embassy's 1396, November 18 [28].⁷⁰ Following is an evaluation of the work of the Tenth Plenary Session of the Central Execu-

⁷⁰ Not printed.

tive Committee of the Kuomintang, based on reports and on subsequent conversations with Chinese officials:

The Central Executive Committee adopted some 20 resolutions, the most significant of which were concerned with party organization and work, military service, education, fiscal policy, industrial organization, labor service, reconstruction, local self-government, commodity price controls, and internal political solidarity.

The government spokesman selected for special emphasis (1) price control (he admits administrative deficiencies and popular skepticism, but states that Central Executive Committee was unanimous in determination to overcome difficulties); (2) furtherance of local self-government and reconstruction in line with Three People's Principles and parallel with prosecution of war; (3) national solidarity (he states that liberal attitude adopted towards individuals and groups outside party creates opportunity for them to rally under same banner with Kuomintang), and (4) external policy (Central Executive Committee favored formulation of post-war policies during war and advocated immediate world organization among United Nations).

The manifesto of the sessions singled out for special mention (1) close relation of China's regeneration to world rehabilitation and immediate need for world organization to enforce peace and to insure prevalence of Three People's Principles with aim of saving not only China but world as well, (2) acceleration of China's war effort as a present responsibility, (3) programs of local self-government and industrial construction as advocated by Dr. Sun Yat-sen for realization of two principles of the people's sovereignty and the people's livelihood, and (4) greater internal solidarity through recognition by all elements soundness Three People's Principles, through discontinuance of discrimination and obstruction, and through respecting opportunity of all to serve country.

Informed Chinese officials emphasize the significance of (1) the work done to strengthen party control in local and national government, (2) the gesture made toward the Communists and other dissident elements in the national solidarity resolution, (3) the admission that China should accelerate its military effort, and (4) the desire evidenced to meet economic difficulties through price controls and improvement of fiscal policy.

In the Embassy's opinion one of the principal objectives of the Kuomintang leaders at this time is the strengthening of party control and it appears that the December session bent its energies in that direction. Changes in Government officials (Embassy's 1455, December 8, 3 p. m.⁷¹) indicates as much and discussions with regard to party affairs are understood to have emphasized that objective. Decisions

⁷¹ Not printed.

and measures with regard to reconstruction, education, fiscal program, economic controls and external policy are in large part prompted and gauged by the desire to strengthen the party—are means to that end. The end of the party is to remain in power; it recognizes in the present shaky economic situation and in potential post-war developments a threat to that power. It follows the normal course of bureaucracies. It seeks to remedy defects in its own organization for control rather than to correct the basic defects in the social and economic structures.

The resolution on national solidarity came as a result of General Chiang's remarks at one of the latter meetings of the CEC in which he pointed out that there was some criticism from abroad of the lack of political unity in China, that all elements should be given a chance to serve the nation and at the same time some liberty to express their opinions provided they obeyed the Government and did not create disturbances. Although the resolution was interpreted by many foreigners here as a threat to the Communists "to be good or else", neither CEC nor Communist officials so interpret it. The former see in it generous gesture toward the dissident groups and the latter consider it an admission that the present is no time to precipitate civil war. It may be interpreted encouragingly as a step to arrest all deterioration of Kuomintang-Communist relations.

The resolution on fiscal policy advocates increased revenue, budgetary retrenchment, absorption of floating capital through sale of bonds, equity and simplification as guiding principles in imposing taxes, reformation of management of state enterprises in order that both the National Treasury and the public shall benefit, and reformation of local governments to enable them to become financially independent of the National Government. The resolution may be interpreted as critical of the Ministry of Finance but it is doubtful that the Ministry is prepared to do much toward meeting the criticism.

Renewed efforts at imposing economic controls envisage more centralized administration and stabilization of commodity prices on the basis of rice and salt prices. Some improvement in the situation is anticipated from these measures but fundamental correction, by reason [of] fiscal policy, is hardly possible due to administrative difficulties and the character of responsible government officials.

From the standpoint of military activity, little can be expected from the decision to accelerate China's war effort. Besides being under-equipped, the mass of the soldiers is sadly undernourished and hence in no condition physically to engage in active military operations. There was talk of effecting a radical reduction in the size of the army and improving the lot and effectiveness of the remaining forces, but nothing came of it. Increased cost of feeding and clothing soldiers even with a present inadequate manner has actually brought

about a reduction in the number of men in units but this reduction is not disclosed by commanders who fear reduction in their allowances.

Summing up, it may be said (1) that politically the high leadership of the Kuomintang has strengthened its control of the government and may be counted upon to continue cooperation with the United Nations, (2) that economically "stop gap" measures and an improvement in the fortunes of the United Nations will probably prevent a dangerous situation from deteriorating into collapse, and (3) that militarily the same type of resistance that has obtained for several years will continue with no reasonable expectation of offensive action. Five and one half years of war conditions have sapped China's vitality and the present government is not competent to do much more than hold things together until peace. Whether it will be able to cope with the many and difficult problems that will face it then will depend in large measure upon the vision and ability of its leaders, neither of which is now conspicuous in the Kuomintang high bureaucracy. Much anticipatory dependence is being placed upon post-war aid and support from the United States and Britain, but it will require a strong determination to effect internal reforms if that aid and support is to be effective and unity and order are to be maintained.

GAUSS

893.00/14911 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, December 14, 1942—9 a. m.

[Received December 15—10:28 p. m.]

1495. Embassy's 96 [1396], November 28.⁷² Chinese Communist Party statement issued in reply to the Kuomintang Central Executive Committee Manifesto and published in *Hsin Hua Jih Pao* (Communist) asserts that [*the?*] Communist Party's complete agreement with Kuomintang concerning external and internal policy of the Government. Reply states that Communist armies despite lack of food and arms have ever since beginning our war obeyed command of Generalissimo, have maintained their lives [*lines?*] and have never retreated; that party and people behind lines have organized guerrilla and other mobile bands to attack enemy in accordance with Generalissimo's statement that all people have responsibility for carrying on war; that establishment of Communists in strategic places for resistance to Japan is in accordance with Dr. Sun's Three People's

⁷² Not printed.

Principles, with Generalissimo's outline of resistance and reconstruction and with governmental edicts; that there is no difference between the four points of Communist Manifesto of September 22, 1937⁷³ and the CEC Special Investigating Committee's report (basis for resolution concerning Communist Party); that Committee's report stating government must treat all with equal benevolence, must make no distinction and must guarantee [apparent omission] and freedom represents oft repeated Communist demands; and that Communist aim is to put into effect all measures that may be of use in uniting people and in resisting Japan.

Hsin Hua Jih Pao editorial comment on Communist Party statement asserts that Kuomintang-Communist cooperation is vital to China's position as one of United Nations due to China's important part in antiaggression front and desire of United Nations for Chinese solidarity; that Kuomintang Manifesto truly expresses China's great need for solidarity which is key to success in war effort; that it is hoped that all Kuomintang members under direction of Kuomintang organs will understand significance of Manifesto's principles and will put them into practical effect; and that Communist Party desires Kuomintang support and cooperation in fight against Japan.

GAUSS

893.00/14924

The Ambassador in China (Gauss) to the Secretary of State

No. 800

CHUNGKING, December 16, 1942.

[Received January 19, 1943.]

SIR: I have the honor to refer to the Embassy's despatch no. 773 of December 3, 1942,⁷⁴ and to enclose translations⁷⁴ of (1) the Internal Solidarity resolution passed by the 10th Plenary Session of the Kuomintang, (2) the Communist Party's reply to the resolution, and (3) an editorial which appeared in the *Hsin Hua Jih Pao*, the Communist daily newspaper published in Chungking. In connection with the foregoing enclosures, the Department may also wish to refer to the Embassy's general evaluation of the work of the C. E. C. contained in its telegram No. 1486 of December 12, 10 a. m.

When the C. E. C. resolution on Internal Solidarity and its final Manifesto first appeared in public print in Chungking the reaction of many foreign officials was one of alarm. They interpreted the resolution and the portion of the Manifesto dealing with the matter of internal solidarity as a direct threat to the Chinese Communists; that

⁷³ See Department of State, *United States Relations With China* ([Washington, 1949], p. 523).

⁷⁴ Not printed.

“they had better be good or else”; and that being “good” meant identifying themselves thoroughly with the Kuomintang. They felt that there was little chance of the Communists agreeing to lose their identity within the Kuomintang ranks, and that an outbreak of civil hostilities was strongly indicated. From an initial reading of the resolution and Manifesto, such a conclusion was not entirely unwarranted.

Conversations with various informed Chinese officials, however, revealed that the situation was not serious; that in fact the resolution was prompted by an intent to bring about a *détente* in Kuomintang-Communist relations. Dr. Quo Tai-chi, former Minister for Foreign Affairs, who attended the C. E. C. meetings as a member, was quite surprised at the foreign reaction and described the resolution as a friendly gesture toward the Communists. Dr. Wong Wen-hao, Minister of Economics, who is also a C. E. C. member, stated that the resolution was prompted by remarks made by General Chiang Kai-shek. Chiang had at some length and with considerable show of moderation reviewed the relations between the Kuomintang and the Communists; had deplored the fact that these relations were not good, (that they had in fact been the subject of some adverse criticism abroad); had advocated tolerance permitting freedom of belief and speech; and had concluded that there was a place for all to cooperate within the broad framework of Dr. Sun Yat-sen’s Three People’s Principles for the salvation of the country and under the authority of the National Government. It was the elaboration of and the emphasis placed upon this final phrase in the resolution that caused apprehension that trouble might be brewing. A Chinese official present when Chiang made his remarks describes them as statesmanlike but says they were not enthusiastically received by the large majority of the party members.

Communist officials in Chungking have displayed little apprehension, either before or after the adoption of the resolution, with regard to any early open break in Kuomintang-Communist relations. General Chou En-lai, the official representative in Chungking of the Communist Party, is not concerned over the immediate future although he continues to believe that it is a case of *when* rather than *whether* the Kuomintang takes forceful action to liquidate the Communists. Chiang’s political wisdom, rather than any desire for reconciliation with the Communists, will steer away from trouble for the time being even though less wise party and military men might wish to have a showdown now.

Of interest in connection with the general subject of Kuomintang-Communist relations is the recent visit of General Lin Piao, a commander of Communist troops, to Chungking to confer with the Generalissimo at the latter’s request. General Lin states that he has been well received in Chungking but is pessimistic regarding cooperation

between the Kuomintang and Communist forces. He tells the old story of no supplies, blockade and general suspicion. He refers to recent fighting between National Government troops and detachments of the "New Fourth" army in the Hupeh-Honan-Anhwei border region and states that the National Government, taking the position that the "New Fourth" army was ordered eliminated in early 1941, refuses to discuss matters relating to that force and is bent on its actual as well as theoretical elimination. He thinks that the rank and file in and out of the Kuomintang favor cooperation but that there are no strong elements capable of carrying out such a policy in the face of present party opposition.

The aim and end of the high Kuomintang command is to strengthen party control. It is understood that much of the work of the C. E. C. was devoted to the attainment of this objective. A Chinese official, not a member of the C. E. C., approving this policy of the C. E. C., said that it was necessary and good that the Kuomintang increase its strength because it was the agency to lead China to democracy and away from the dangers of communism. His views are most probably representative of much of the thinking in party circles.

It is a not uncommon phenomenon that the strength of an opposition party lies more in the failures of the party in power than in any positive strength of the opposition. This is true in the case of the Kuomintang and the Communist party in China. Whatever strength the Communist party has derives more from the failures of the Kuomintang than in any positive accomplishment on its own part. Had the Kuomintang had the foresight to adopt simple effective measures for agrarian reform, equitable taxation, and for promotion of home industries along the lines of the Chinese Industrial Cooperatives, for example, it could have cut the ground from under opposition such as the Communists represent. This could still be done but it is feared that the present Kuomintang leadership, sterile in so far as social reform is concerned, is incapable of altering its conservative course.

Kuomintang leadership sees in the present serious economic situation in China a very real threat to its power. It endeavors to meet that threat by strengthening its control over industries and commerce through monopolies, over finance through centralized fiscal policy, and over education and social organization through propaganda and placing Kuomintang officials in key positions.

The Kuomintang leadership also sees in potential post-war developments a very serious threat to its power. If, as seems well within the realm of possibility, the Soviet army is largely instrumental in defeating Japanese land forces in the Far East, liberal and radical groups in opposition to the Kuomintang will be greatly strengthened;

strengthened to the point that (1) they will have to be taken into the government on a cooperative basis for reform; or (2) eliminated by force; or (3) allowed to control areas, probably in the northwest and northeast of China, on a semi-autonomous basis. The obvious course for the Kuomintang to follow is the first.

Respectfully yours,

C. E. GAUSS

NEGOTIATIONS FOR RELINQUISHMENT BY THE UNITED STATES OF EXTRATERRITORIAL RIGHTS IN CHINA ¹

793.003/3-1942

Memorandum by Mr. Walter A. Adams of the Division of Far Eastern Affairs

[WASHINGTON,] March 19, 1942.

Below are offered some observations in regard to the question of undertaking at this time negotiations with China looking toward conclusion of a new treaty with China in which the United States would, *inter alia*, relinquish the extraterritorial rights which its nationals possess in China by virtue of existing treaties.

After nearly five years of war between China and Japan, Japanese military forces occupy a large part of China—that part in which is located a great preponderance of American investment and, in normal times, American population and trade and cultural interests.

China's financial and economic structure is severely strained. Recent events in the Pacific area have given emphasis to China's achievement in fighting stubbornly and avoiding annihilation of its armies in a long and unequal struggle. The United States on its part has assisted China in many ways; through purchase of silver, through loans, through supplying war materials on a lend-lease basis, through a military aviation expeditionary force and lastly and recently through the extension of the enormous credit of \$500,000,000 on terms which make the credit practically a gift.

In consequence of a growing realization in the United States of the magnitude of China's achievement in resisting Japan, and in keeping with the American impulse of generous appreciation there is natural inclination in the United States to carry out at once all of the measures which can be thought of to express our feeling of appreciation. The writer has heard the expression "China has grown up". There is a feeling that China should in all respects be treated as an equal.

On the other hand there is danger that action on the part of the United States toward expressing good-will and appreciation for China's very notable effort may spill over the level of appropriateness and good taste to the detriment both of the interests of China and of

¹ For previous correspondence, see *Foreign Relations*, 1937, vol. iv, pp. 634 ff.; *Foreign Relations*, Japan, 1931-1941, vol. i, pp. 927-930; and *Foreign Relations*, 1941, vol. v, pp. 773 ff.

the United States. There would in fact seem to be some evidence that this point may have already been reached. The American Ambassador to China in his telegram no. 176, March 1, noon, 1942,² reported that the Chinese Ministry of Finance is disappointed to find that the recent huge credit made available to China by the United States was not granted as an absolute gift in recognition of China's contribution to the war effort in general. The Ambassador reported that there is a perceptible assumption on the part of Chungking officials and bankers that the credit extended is compensation which was due to China for its past and present resistance to Japan and for what the Chinese regard as our past and present shortcomings. A prominent and intelligent Chinese banker was reported in the telegram under reference to have expressed the opinion that the credit extended by the United States to China was too easily obtained to be appreciated or for its most effective use to be insured.

In this connection there should be constantly borne in mind and (in the interest of healthy relations) upon appropriate occasions brought tactfully but plainly to the attention of responsible Chinese officials the facts that China has in its resistance to Japan been actuated solely by the instinct of self-preservation; that it was this instinct of self-preservation under the impact of events (and not any conscious purpose of assisting the United States) that has dictated China's course of action; that the immediate cause of the involvement of the United States in the war was the refusal of the United States to sacrifice a principle involving China's interests; that the interests of the United States render it desirable that China continue its struggle against Japan; and that this mutuality of interest is the only justification for expenditure by the United States Government of resources of the United States in assisting China in China's struggle against Japan.

The most recent and most definitive assurances given by the United States to China in regard to the question of treaty revision was in a note dated May 31, 1941 addressed by the Secretary of State to Mr. Quo Tai-chi³ upon the occasion of the latter's departure from the United States to assume the duties of Minister for Foreign Affairs at Chungking. In that letter the Secretary stated that the United States:

“. . . expects when conditions of peace again prevail to move rapidly, by processes of orderly negotiation and agreement with the Chinese Government, toward relinquishment of the last of certain rights of a special character which this country, together with other countries, has long possessed in China by virtue of agreements providing for extraterritorial jurisdiction and related practices.”

² *Post*, p. 475.

³ *Foreign Relations, Japan, 1931-1941*, vol. I, p. 929.

No one can know at this time what conditions in China will be at the termination of the present war. Up until the renewed outbreak of hostilities in 1937 between China and Japan, China under General Chiang Kai-shek's⁴ resolute leadership had made considerable progress toward unification. At that time, however, General Chiang was engaged in a controversy amounting to civil war with a large, organized "Communist" group. The outside military pressure exerted by Japan upon China as a whole has tended to keep the Chinese "Communists" and the leading faction in the country under Chiang's control from open conflict with one another. After cessation of the present hostilities the pressure toward cooperation between dissenting groups will be removed and large parts of the country will probably be overrun by organized bands who are now known as "guerillas". It will be surprising if there does not ensue a period of chaos in which the present government at Chungking or any other government which may emerge will in all probability be able to exert only partial and ineffective control.

Under the circumstances indicated in this memorandum it is believed that it would be prudent and wise to stand for the present upon the statement of the Secretary of State quoted above and to be guided by conditions which prevail in China and which affect relations between the United States and China at the termination of the present war. There is no popular demand at this time in China for the revision of the treaty relations between the United States and China and it is believed that initiative on our part now for such revision would not be healthy or appropriate but would be taken by China to indicate that we were "slopping over".

On the other hand, it is obvious that the feeling amongst many influential Chinese is that extraterritoriality and other special foreign rights in China must go at the end of hostilities. The special status of the International Settlement at Shanghai will undoubtedly undergo modification or even abolition. The Chinese may very possibly demand the retrocession of Hong Kong (depending possibly upon the circumstances of Japanese ejection therefrom). Foreign shipping in Chinese coastal and inland waterways may be subjected to restrictions or may even be abolished.

The main point which the writer of this memorandum has in mind is that there is more to be lost than gained by abolishing extraterritoriality now and that revision of the treaties in force between the United States and China can more intelligently be undertaken after the termination of hostilities in the light of conditions then prevailing. In

⁴ Chiang Kai-shek, President of the Chinese Executive Yuan (Premier).

neither case may there reasonably be expected any impulse of gratitude on the part of the Chinese.⁵

793.003/3-2742

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton)*

[WASHINGTON,] March 27, 1942.

The question whether the Government of the United States should at this time take an initiative toward entering into negotiations with the Chinese Government for the conclusion of a new, standard treaty in which the United States would, *inter alia*, relinquish the extraterritorial and other special related rights which its nationals possess in China by virtue of existing treaties involves many considerations pro and many considerations contra.

Among the principal considerations contra there may be mentioned the following:

1. This Government has, comparatively recently, informed the Chinese Government of its readiness to move rapidly, when conditions of peace again prevail, toward relinquishment of the extraterritorial and other special rights which this country has long possessed in China (letter from the Secretary of State of May 31, 1941, to the Appointed Chinese Minister for Foreign Affairs⁶).

2. Readiness of this Government to relinquish rights which its citizens cannot, because of Japanese military occupation of Chinese territory, now exercise in fact in the principal centers of American population in China would undoubtedly be seized upon by the enemy as a basis for charging that this Government's action was nothing but a gesture conceived in and manifesting weakness.

3. Information from the American Embassy at Chungking and from the representatives there of the Coordinator of Information indicates that the Chinese Government and people are more interested in military deeds and accomplishments than in words and diplomatic phrases; also, that the United States may have given somewhat too great prominence during recent months to words, especially utterances tending to cause the Chinese to be satisfied with what they have done and to draw unfavorable comparisons between their deeds and the deeds of their allies.

4. When the war is over there will undoubtedly be a period of unsettled conditions in China during which time there may be special

⁵ The Adviser on Political Relations (Hornbeck) added the following comment: "In any case, we do not need to 'play this card' now, and we may have need for a card to play at some later date. SKH."

⁶ *Foreign Relations, Japan, 1931-1941*, vol. I, p. 929.

need for American nationals to have the protection accorded by extraterritorial and other related rights.

5. When the war is over there will be some things which this Government will wish to have the Chinese Government do. Retention until that time of extraterritorial and other related rights will give this Government a bargaining factor of some importance.

6. When this country endeavors to negotiate a new, standard treaty with China, there will undoubtedly come up very troublesome questions relating to the question of real property rights. This Government will presumably desire to obtain for American nationals the right to hold real property throughout China. Many of our state laws forbid the holding of real property by Chinese nationals. A formula on this subject was worked out in the treaty with Thailand, signed November 13, 1937,⁷ Article 1 (seventh paragraph). That provision reads as follows:

“In all that relates to the acquisition, possession and disposition of immovable property the nationals, including corporations, partnerships, associations and other legal entities of each High Contracting Party shall in the territory of the other High Contracting Party be subject exclusively to the applicable laws of the situs of such immovable property. The applicable laws of the situs of immovable property as herein used shall in reference to the nationals of Siam be understood and construed to mean the laws applicable to immovable property of the state, territory or possession of the United States of America in which such immovable property is situate; and nothing herein shall be construed to change, affect or abrogate the laws applicable to immovable property of any state, territory or possession of the United States of America.”

Whether the Chinese Government, in its present mood, would accept such a provision is uncertain.

7. It is probable that present hostilities will continue for some time and that many changes of many categories will take place during that period, some of which changes probably no one can foresee. A new treaty concluded at this time might be outmoded and inappropriate to the situation obtaining at the conclusion of hostilities.

In the attached memorandum of March 19,⁸ Mr. Adams reaches the conclusion “that there is more to be lost than gained by abolishing extraterritoriality now and that revision of the treaties in force between the United States and China can more intelligently be undertaken after the termination of hostilities in the light of conditions then prevailing”.

Among the principal considerations pro there may be mentioned the following:

⁷ Treaty of Friendship, Commerce and Navigation, signed at Bangkok, November 13, 1937, Department of State Treaty Series No. 940, or 53 Stat. 1731.

⁸ *Supra*.

1. In this country there is coming more and more to the forefront the idea that the present war is a people's war; that the United States and the United Nations are fighting not only for self-preservation but also for human rights and decencies and for greater equalities in the general political, economic and social system than have heretofore prevailed. For years the American people have regarded extraterritoriality and its related appurtenances as an anachronism. This anachronism becomes more vivid against the background of a growing popular conception of what we are fighting for. Relinquishment of extraterritorial and other special rights would thus be in line with and a manifestation of the war aims of the United Nations.

2. The Chinese are keen bargainers. They realize the attitude of the American people as a whole toward retention of American extraterritorial rights in China. Consequently, retention of such rights until after hostilities cease would not be likely to constitute for this Government a bargaining factor of significance.

3. As a result of war conditions in China, the normal activities of most Americans, at least in the principal centers of population (which are under Japanese military occupation), have had to cease. Those Americans, at least those who have left China or who will be able to leave China, are making and will have to make readjustments in their occupations. The extraterritorial system is bound to go. There will undoubtedly be, after termination of hostilities, a period of confusion and of unsettled conditions in China. Notwithstanding that fact, it would seem sound to have American activities in China after the hostilities establish and maintain themselves under conditions indigenous to the country and under conditions which will have a greater degree of permanence than any conditions brought about—at best for a temporary period—by any effort to retain extraterritorial or other special rights. Should extraterritorial jurisdiction be retained in China for a period of unsettled conditions likely to follow immediately upon termination of hostilities,⁹ American nationals would be encouraged to return to China and to resume to some extent the activities which have been practicable under an extraterritorial system. Later, when China would press for abolition of extraterritorial rights, such Americans would protest and, when they had to yield to an inevitable development, would have to make one more fundamental readjustment in their activities. It would seem desirable not to envisage the re-emergence of a system which in a broad sense no longer conforms to modern concepts.

⁹ Marginal notation by Mr. Hornbeck: "There will be a 'peace conference' of some sort—at which such matters will *have to be* considered. SKH."

CONCLUSION

The considerations contra the Government of the United States taking an initiative at this time toward entering into negotiations with the Chinese Government for the conclusion of a new, standard treaty in which the United States would, *inter alia*, relinquish extra-territorial and other special related rights which its nationals possess in China are easier to list than the considerations pro and at first glance may seem to outweigh the considerations pro. However, in the opinion of the author of this memorandum, the considerations pro are of a more substantial and enduring character than those contra. While this immediate moment may not be an opportune time for this Government to take an initiative along the lines under discussion and while such an opportune moment may not arise at least until we can see the outcome of the present consideration being given by the British Government to the question of the status of India, it is recommended that the Division of Commercial Treaties and Agreements and the Division of Far Eastern Affairs set up a small committee to begin in strict confidence preparatory work looking toward the drafting of a suitable treaty which might be presented by this Government to the Chinese Government in the not too distant future.

Note: It is believed that this Government would wish at an appropriate stage to confer with the British Government.

M[AXWELL] M. H[AMILTON]

793.003/3-1942

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] April 9, 1942.

I concur in the conclusion expressed by Mr. Adams "that there is more to be lost than gained by abolishing extraterritoriality now". I would not, however, make the commitment which Mr. Adams makes regarding when the question of revision "can more intelligently be undertaken": the situation may change before there comes "the termination of hostilities".

I also concur in Mr. Hamilton's recommendation that a small committee (described) be set up "to begin in strict confidence preparatory work looking toward the drafting of a suitable treaty which might be presented by this Government to the Chinese Government [depending on developments]¹⁰ in the not too distant future"—provided, however, it be made clear that this procedure can be and must be kept confidential.

¹⁰ Brackets appear in the original.

The considerations advanced (in both memoranda) contra taking definite action of a conclusive character "now" seem to me substantially to outweigh the considerations pro. The subject of our extraterritorial rights in China is not at this moment vividly in the minds either of the Chinese or of our own people. There is not at this moment special need for special action on our part in support of Chinese morale or by way of conciliating the Chinese. I see no good reason for us to "play this card" at this time. There may come a time when we will need a card and when it would be advantageous for us to have this card and opportune for us to play it. We should make such preparations as would put us in position to move promptly and well if, when and as occasion arises.

S[TANLEY] K. H[ORNBECK]

793.003/3-1942

*Memorandum by the Chief of the Division of Far Eastern Affairs (Hamilton) to the Under Secretary of State (Welles)*¹¹

[WASHINGTON,] April 13, 1942.

You may care to glance at this file.

Unless you perceive objection, FE^{11a} will take up with TA¹² the question of setting up a small committee along the lines indicated in the second paragraph of Mr. Hornbeck's memorandum of April 9.

M[AXWELL] M. H[AMILTON]

741.933/95

Memorandum by the Secretary of State of a Conversation With the British Ambassador (Halifax)

[WASHINGTON,] April 25, 1942.

The British Ambassador called at his request and handed me an *aide-mémoire* (copy attached)¹³ in regard to extraterritoriality in China.

I remarked that my Government in 1937¹⁴ and on other occasions had made a statement of policy with respect to the stationing of

¹¹ The original of this memorandum, attached to the memorandum by Mr. Adams dated March 19, *ante*, p. 268, bears the notation "O. K. SW".

^{11a} Division of Far Eastern Affairs.

¹² Division of Commercial Treaties and Agreements.

¹³ *Infra*.

¹⁴ See statement by the Secretary of State, July 16, 1937, and Department of State press release, August 23, 1937, *Foreign Relations, Japan, 1931-1941*, vol. I, pp. 325 and 355, respectively.

foreign guards or troops, the maintenance of extraterritorial courts, et cetera, and that this Government pledged itself to discontinue such policy as quickly as circumstances would at all permit. I then added that our representatives in Chungking might well have impressed this on the advisers of Madame Chiang Kai-shek in connection with her articles, which are virtually state papers, in the American press during recent days, in which extraterritoriality was strongly condemned, but in which no credit was given to this Government for its policy some years ago in favoring its early abolition.

C[ORDELL] H[ULL]

741.933/95

*The British Embassy to the Department of State*¹⁵

AIDE-MÉMOIRE

His Majesty's Government have recently been considering the possibility of initiating with the Chinese Government at an early date discussions for a treaty providing for the abrogation of British extraterritorial rights in China, which His Majesty's Government have already announced their intention of negotiating when peace is restored. Their original motive for considering the initiation of such negotiations at the present moment was the feeling that to do so might provide encouragement to the Chinese Government at a difficult moment of the war. On second thoughts, however, the British authorities have reached the conclusion that action of this kind at the present juncture would be construed merely as the fruit of a sense of weakness and that it would therefore be unlikely to produce the desired effect. For this reason they consider that they must wait until the tide begins to turn against the Japanese.

2. His Majesty's Government and the United States Government have both announced that they will negotiate the abolition of extraterritoriality when peace is restored in the Far East, and the Chinese Government may be content to leave the question in abeyance until then. If in the meantime however the Chinese Government themselves decided to raise the issue, the position would of course be different, and His Majesty's Government would certainly respond sympathetically.

3. His Majesty's Government feel that it is very desirable that they and the United States Government should follow a parallel course of action in regard to this question. In this connection attention is drawn to the *Aide-Mémoire* which the United States Embassy in

¹⁵ Copy transmitted to the Ambassador in China in Department's instruction No. 62, May 12, 1942.

London left with the Foreign Office on March 30th, 1937,¹⁶ in which it was pointed out that the State Department felt that the question of extraterritoriality in China was a matter in which the British and American Governments had similar interests and concern, and that the two Governments might advantageously continue as in the past to collaborate with each other. Sir Alexander Cadogan¹⁷ in his letter to Mr. Atherton¹⁸ of May 14th, 1937,¹⁹ replied that His Majesty's Government fully reciprocated the desire expressed in the *Aide Mémoire* for close collaboration between the two Governments. This still remains the view of His Majesty's Government and they therefore hope that the United States Government would be prepared to consult with them in regard to any initiative of this nature which they might contemplate.

WASHINGTON, 25 April, 1942.

741.933/95

*The Secretary of State to the British Ambassador (Halifax)*²⁰

The Secretary of State presents his compliments to His Excellency the British Ambassador and refers to the British Embassy's *aide-mémoire* of April 25, 1942 informing this Government that the British Government has recently been considering the possibility of initiating with the Chinese Government at an early date discussions with regard to the relinquishment of British extraterritorial rights in China, that the British Government has concluded that the present time would not be favorable for such a step but that if the Chinese Government itself should raise the question the British Government would respond sympathetically. Reference was made to the desirability of a parallel course of action being followed by the Government of the United States and of Great Britain with reference to this question and the hope was expressed that the United States Government would be prepared to consult with the British Government in regard to any initiative in this matter which the United States Government might contemplate.

As the British Government is of course aware, it has been this Government's long-considered policy to move toward the full relinquishment of extraterritorial and related rights in China. It will

¹⁶ See telegram No. 107, March 27, 1937, noon, to the Ambassador in the United Kingdom, *Foreign Relations*, 1937, vol. IV, p. 639.

¹⁷ British Deputy Under Secretary of State for Foreign Affairs.

¹⁸ Ray Atherton, Counselor of Embassy in the United Kingdom.

¹⁹ Text quoted in telegram No. 292, May 18, 1937, from the Ambassador in the United Kingdom, *Foreign Relations*, 1937, vol. III, p. 102.

²⁰ Copy transmitted to the Ambassador in China in Department's instruction No. 62, May 12, 1942.

be recalled that in the *aide-mémoire* which the American Embassy at London handed to the British Foreign Office on March 30, 1937, it was stated that this Government had for some time been considering suggesting to the Chinese Government a resumption of the negotiations in regard to extraterritoriality which had been interrupted in 1931.²¹ From time to time since the outbreak of the Sino-Japanese hostilities in 1937, this Government has given thought to the question whether it might not be desirable to enter into discussions with the Chinese Government for the relinquishment of these rights before the return of peace. This Government reached a conclusion in line with the view expressed by the British Government that the present time is perhaps not the most opportune for taking an initiative in the matter but that if the Chinese Government should itself suggest that discussions be commenced this Government would meet the suggestion in a receptive spirit.

This Government will continue to follow closely all factors in the general situation which may bear upon this question and will expect to keep in touch, as in the past, with the British Government in the hope that if it should later appear to be desirable to initiate discussions with the Chinese Government or if an approach should be made by the Chinese Government, the Government of the United States and the British Government may with advantage take parallel action. The Government of the United States would appreciate receiving from time to time any further views in regard to this question which the British Government may wish to communicate.

WASHINGTON, May 6, 1942.

741.983/95: Telegram

The Secretary of State to the Chargé in China (Vincent)

WASHINGTON, May 6, 1942—4 p. m.

360. [Here follows summary of *aide-mémoire* of April 25 from the British Embassy, printed on page 276, and note to the British Ambassador, printed *supra*.]

3. Upon Ambassador Gauss' return to Chungking, the Department would appreciate his comments on the question whether advantage would seem to lie in our taking initiative in the matter now or in holding the matter in abeyance in the hope that there may occur some opportune occasion for such initiative. We should also appreciate any other comments which the Ambassador may care to make in regard to any aspect of the problem presented.

²¹ For correspondence on this subject in 1931, see *Foreign Relations, 1931*, vol. III, pp. 716 ff.

4. I mentioned to Lord Halifax that I had noticed Madame Chiang Kai-shek's recent articles in the press condemning extraterritoriality and remarked that she fails to give this Government any credit for its progressive and liberal policy in regard to extraterritoriality. As articles by her on such subjects are virtually state papers, it might be well for our representatives at Chungking to impress upon her advisers that we are pledged to the relinquishment of extraterritoriality as rapidly as might be permitted by circumstance and that these pledges have been renewed specifically on recent occasions. The most recent occasion, you will recall, was my exchange of letters of May 26 and 31, 1941, with Quo Tai-chi.²²

HULL

741.933/97

Memorandum of Conversation, by the Assistant Chief of the Division of Far Eastern Affairs (Atcheson)

[WASHINGTON,] May 8, 1942.

Participants: Mr. H. Ashley Clarke, Chief of the Far Eastern
Department of the British Foreign Office
Mr. George Atcheson, Jr.
Mr. Walter A. Adams
Mr. Joseph W. Ballantine²³

Mr. Clarke, who had just arrived in this country by air from London on a short visit for the stated purpose of the establishment of contacts with Mr. Hornbeck and Mr. Hamilton and the discussion of various matters of mutual interest, called at the Department this morning, calling at the Division of Far Eastern Affairs after having called upon Mr. Hornbeck.

Mr. Clarke stated that one of the matters he wished to discuss was the question of the relinquishment of extraterritorial jurisdiction in China, and he went on to set forth the position of his Government along the lines of the British Embassy's *aide-mémoire* of April 25, 1942, on this subject. Upon mention of that *aide-mémoire* by Mr. Atcheson Mr. Clarke said that he had not yet seen it. Mr. Atcheson thereupon informed him of the substance of the Department's *aide-mémoire* to the British Embassy of May 6, 1942.

There followed some general discussion of the subject during which Mr. Clarke inquired whether we had obtained the impression that the Chinese might shortly request or demand the abolition of extraterritoriality. Reply was made to the effect that there had been no official intimation that such a development might be in the offing, we

²² *Foreign Relations, Japan, 1931-1941*, vol. I, pp. 927-930.

²³ Of the Division of Far Eastern Affairs.

had of course taken note of Madame Chiang Kai-shek's recent magazine and press articles published in this country, there were a considerable number of American writers and others who were exhibiting active interest in the matter, and we should not be surprised if pressure upon the Department to take action increased.

741.933/95

Memorandum of Conversation, by the Chief of the Division of Far Eastern Affairs (Hamilton)

[WASHINGTON,] May 22, 1942.

During a brief conversation with Mr. Ashley Clarke of the British Foreign Office when he called at the Department today, I told him that we had been giving some thought to the question whether it would be desirable to issue at this time a declaration without any qualification that upon the restoration of peace the United States would relinquish its extraterritorial rights in China; also, as an alternative, whether it would be desirable to take an initiative toward concluding a treaty with China which would contain simply such a commitment. I said that we would be interested in knowing whether the British Foreign Office had been giving thought to any such procedure.

Mr. Clarke replied that he thought that no consideration had been given to any such measure. He said that his own offhand reaction was that such a measure, which he characterized as a "halfway measure", would not be advisable. He expressed the view that it would be likely to be open to the same disadvantages at this time when so many military reverses have been encountered in the Far East as the taking of an initiative toward relinquishing extraterritorial rights *in toto* at this time. He expressed doubt whether a halfway measure would accomplish anything constructive.

After Mr. Clarke had expressed his views as indicated I said that speaking only for myself individually I also held views similar to those expressed by Mr. Clarke.

M[AXWELL] M. H[AMILTON]

741.933/98 : Telegram

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

LONDON, June 29, 1942—2 p. m.
[Received June 30—9:30 a. m.]

3594. Personal for the Secretary. Eden²⁴ spoke to me of the relinquishment of British and American extraterritorial rights in China.

²⁴ Anthony Eden, British Secretary of State for Foreign Affairs.

He is quite in accord with us that the present is not an opportune time for either of our Governments to take any initiative on the question and shares our feeling that any such action if taken at this time, with the Allied military situation as it is in the Far East, might be misinterpreted in China. He does feel, however, that the advantages of joint consultation between our two Governments in the event that the Chinese themselves raise the question or if conditions so change as to make initiative seem to either Government desirable are of real importance. He believes that parallel British and American action with regard to the relinquishment of extraterritorial rights in China when the time comes will constitute a symbol of unity and cooperation on Far Eastern policy which cannot but prove helpful to both our countries and to China itself. Eden understands from Ashley Clarke's conversations in Washington and the Department's memorandum to the British Embassy of May 6 (strictly confidential instruction No. 1437, May 30²⁵) that the Department shares his views. He attaches such a degree of importance to the question that he has asked me to cable you in the foregoing sense. I am in full agreement with him.

WINANT

741.933/98 : Telegram

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

WASHINGTON, July 11, 1942—5 p. m.

3199. Your 3594, June 29, 2 p. m. In the light of your telegram I have reviewed the matter. In doing so I of course have had in mind the whole of what I said in my letter of May 31, 1941, to the Appointed Chinese Minister for Foreign Affairs, which was released to the press on May 31. This Government favors and regards itself pledged to relinquishment of this country's extraterritorial rights in China. We would be prepared to make such relinquishment at the earliest moment when it could be made with due consideration for the immediately imperative common interests and objectives of the several parties most concerned.

This Government has, as has the British Government, been giving continuing study to this whole question. Our attitude continues to be that expressed in the Department's memorandum to the British Embassy of May 6, which attitude I understand to be in general conformity with the British position. I call special attention to the last paragraph of the memorandum of May 6. I shall of course keep in

²⁵ Instruction not printed.

mind the views expressed to you by Mr. Eden as reported in your telegram under reference and the fact that Mr. Eden attaches special importance to the matter.

Please inform Mr. Eden of the foregoing.

HULL

711.933/371b : Telegram

*The Secretary of State to the Ambassador in the United Kingdom
(Winant)*²⁶

WASHINGTON, August 27, 1942—2 p. m.

4087. Department's 3199, July 11, 5 p. m.

1. The Department's study of the question of relinquishment of this country's extraterritorial and related rights in China has continued. In this study we have of course taken into account the trend of public opinion in this country. While there has been no strong concerted pressure upon the Government to take action, it has been obvious from editorial comment and from speeches by and letters received from interested persons that popular sentiment in favor of action toward abolishing extraterritoriality is fairly widespread. It is believed that any request by the Chinese Government for abolition would receive strong support in the United States. In the light of this and other factors, we are inclining to the view that, although this is not an entirely opportune moment to take some affirmative steps in the matter, it is doubtful whether any much more favorable occasion is likely to occur in the near future. On the contrary, we might later, because of the natural trends of political thinking in China as well as in this and other countries, find ourselves in a position less advantageous than at the present while the question of initiative is within our control.

2. In our examination of the whole problem we have, of course, endeavored not only to consider the advantages and disadvantages of taking action but have also given thought to the question of what means of initiating action would be most effective and beneficial to all concerned in case decision to take action should be made. In this connection our thought inclines to a procedure and action as set forth in paragraph numbered 3 below.

3. A confidential approach to the Chinese Government along lines as follows:

The American and the British Governments have been giving continuing thought to the question of relinquishment respectively of

²⁶ Substance repeated to the Ambassador in China in Department's telegram No. 770, August 27, 2 p. m.

American and British extraterritorial rights in China. They would both be pleased if they could find some practicable step which might be taken at this time to clarify further the fact that they favor the termination of extraterritorial rights and practices in China and regard themselves pledged to give up the special rights of that character which they now possess. They believe that such a step would serve to delineate by additional particularization the general framework of the relationship which will exist in the future between the United States and China and between Great Britain and China, especially in the post-war world. They believe also that it might be helpful to the peoples of all three countries to have more precise information than is now available with regard to the concepts and purposes of the three Governments in reference to the question of extraterritorial jurisdiction. An orthodox way of proceeding would of course be for the American and the Chinese Governments and for the British and the Chinese Governments to enter into negotiations for the conclusion of new treaties based on the best modern international practices and conforming with the general norms in international relationships, which treaties would supplant existing treaties of special character and provide for the complete and final termination of extraterritorial rights and for the substitution therefor of the usual rights of trade and of establishment. Such a procedure would be in conformity with and a practical manifestation of the principle to which the American, the British, and the Chinese Governments are committed of proceeding in international relationships by orderly process of negotiation and agreement.

Up to this time the American Government and the British Government have made no approach to the Chinese Government on this matter in view of the statement on this subject contained in the letter of the Secretary of State of May 31, 1941, to the appointed Chinese Minister for Foreign Affairs and of the like, and indicated, position of the British Government. A further factor has been that the question of American and British extraterritorial rights in China has not seemed to be a question of urgent practical importance at this particular time when the main efforts of the United States, Great Britain and China are necessarily directed toward achieving military success in the war.

If the Chinese Government should feel that it is advisable that affirmative action be taken now, the American and the British Governments would be agreeable to entering immediately into negotiations with the Chinese Government directed toward termination of extraterritorial and related rights by and with the conclusion of new modern treaties. The modern treaties which the American Government and the British Government have made a practice of concluding

during recent years are comprehensive documents covering a considerable variety of subjects. While the provisions are in a sense fairly well standardized, still the negotiation of such a treaty normally requires some months for full interchange of views to the end that entirely satisfactory conclusions agreeable to both parties may be arrived at. In view of China's place in the family of nations and of the complexity of modern international intercourse, it is assumed that the Chinese Government would in principle also favor the conclusion of such comprehensive treaties.

In addition to the fact that negotiation of this type of treaty would probably not be completed for several months, the fact that the negotiations are in process could probably not be kept confidential. The enemy governments might be expected to seize every available opportunity to criticize to their own advantage any delay in negotiations or any apparent differing of views between the parties to the negotiations. While there is not to be anticipated any undue delay or the emergence of important difficulties, it is believed that the factors which have been mentioned need to be taken into consideration.

In view of the circumstances as outlined above, the American and the British Governments suggest that, in case the Chinese Government should feel that it would be useful for some further step to be taken at this time, the American and the Chinese Governments and the British and the Chinese Governments might respectively immediately enter into negotiations for the conclusion of brief treaties which would provide for the relinquishment by the United States and by Great Britain of American and British extraterritorial and related rights in China and for the adjustment of a few broad questions which would arise upon and in connection with relinquishment of extraterritorial rights. The negotiation of such a brief treaty would probably take much less time than the negotiation of a detailed, comprehensive treaty and would not incur the same risk of premature publicity. Thus, the negotiation of a brief treaty would not be open to the same disadvantages as the negotiation at this time of a comprehensive treaty. Moreover, during a period of war and while the enemy is in temporary military occupation of parts of China's territory, there would arise some doubt as to the practicality of endeavoring at this time to provide in a treaty for detailed provisions covering all usual aspects of international intercourse.

It is our thought that a brief treaty between the United States and China of the type in mind would contain:

(a) Provision for immediate relinquishment of American extraterritorial and related rights, including American rights under the Boxer Protocol of September 7, 1901,²⁷ and in relation to the International Settlements at Shanghai and at Amoy;

²⁷ *Foreign Relations, 1901, Appendix (Affairs in China)*, p. 312.

(b) Provision for discussion between American and Chinese representatives of any questions relating to satisfaction of contractual obligations entered into with American nationals by the authorities of the Diplomatic Quarter at Peiping or of the International Settlements at Shanghai and at Amoy;

(c) An undertaking by the Chinese Government to regard as infeasible existing American rights in China relating to real property, with provision that the Chinese Government might effect replacement of American-held leases in perpetuity by new deeds of ownership such as are issued to Chinese owners of land, and with provision that American nationals shall not be required to pay any past land taxes or fees or charges of any nature with respect to land in addition to those already paid;

(d) A provision that in as much as the American Government has long accorded to Chinese nationals while within the territories of the United States of America rights to travel, reside and carry on trade, except in respect to certain areas closed for reasons of national security, the Chinese Government would accord similar rights to American nationals while within the territories of China;

(e) Reciprocal provision for consular representation by consular officers duly provided with exequatur;

(f) Provision that the American and the Chinese Governments will upon the request of either Government or in any case within 6 months after the cessation of hostilities enter into negotiations for the conclusion of a comprehensive modern treaty of friendship, establishment, consular rights, commerce and navigation, such treaty to be based upon principles of modern international law and practice; and

(g) Provision that until such a comprehensive modern treaty shall have been concluded, any questions affecting the rights in China of American nationals arising as a result of relinquishment of American extraterritorial rights shall be decided, where not covered by existing treaties, on the basis of generally accepted principles of modern international law.

4. As part of the approach outlined in paragraph numbered 3 above, it is suggested that the American Government and the British Government present to the Chinese Government for consideration brief draft treaties as described.

5. If any approach should be made to the Chinese Government, it might ensue that the Chinese Government would, after consideration of various factors, prefer that no action be taken in reference to this matter at this particular time. It is also possible that an approach at this time might cause the Chinese Government to press for immediate and final relinquishment of American and British extraterritorial rights in China without waiting for the negotiation of new treaties. While being aware of this possibility, our present thought inclines to favoring the making of an approach.

6. Please communicate the foregoing to Mr. Eden and state that we should appreciate receiving an early expression of the British Government's views. You may add that we are, of course, as we have

previously indicated, desirous of dealing with this matter in consultation and cooperation with the British Government.

HULL

711.933/372 : Telegram

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

LONDON, September 1, 1942—8 p. m.

[Received 10:08 p. m.]

4886. The Department's views with respect to the relinquishment of extraterritorial and related rights in China as set forth in its telegram No. 4087 August 27, 2 p. m., were presented to the Foreign Office in a preliminary conversation this morning. The first reaction of Ashley Clarke was not unfavorable and he expressed appreciation of the Department's procedure in consulting the British Government. Mr. Eden will, of course, desire to give the matter careful study. Ashley Clarke indicated that he believed the British and ourselves view the general question of relinquishment of extraterritorial rights in practically the same light. In thinking out loud, however, he remarked that a short time ago both governments had felt that the time was not opportune to raise the question and he was wondering exactly what new elements in the situation had arisen to cause us to change our view. We told him that we had no background other than that contained in the Department's telegram under reference but that personally we imagined the slightly more favorable military situation, as evidenced by the victory—to date—in the Solomon Islands, must have constituted one element in the Department's decision in addition to the question of American opinion set forth in numbered paragraph 1 of the Department's telegram. With respect to the latter he indicated that the contemplated action would probably meet with similar popular support in the United Kingdom. While he did not pursue the point, it is the Embassy's feeling that if the Department is in a position to enlarge somewhat on the reasons which have led it to conclude that the present is an apposite time to take the initiative on this question it might be helpful. Incidentally Clarke did not think there was much likelihood that the Chinese themselves would raise the issue now, asserting that they had always taken the position that extraterritorial rights already belonged to the dead past.

As to the suggested "brief treaty" procedure, he had no offhand comment other than to say he would like to think about it.

WINANT

711.933/372 : Telegram

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

WASHINGTON, September 5, 1942—2 p. m.

4269. Your 4886, September 1, 8 p. m. As indicated in the Department's 4087, August 27, 2 p. m., a factor of some importance in reaching our conclusion has been the trend of public opinion in this country favoring relinquishment of American extraterritorial and related rights in China. Not only has it been apparent that popular sentiment in favor of abolition of extraterritoriality is widespread but that such opinion, not only in non-official circles but also in official circles in addition to the executive branch of the government has been gaining in strength, leading us to believe that this trend will increase. We have also, of course, taken into account Chinese opinion and a number of recent indications that General Chiang Kai-shek and the Chinese Government are adopting a more activist attitude with reference to China's foreign political relations. In addition there has been, as mentioned in your telegram under reference, the consideration that improvement has recently occurred in the military situation in the Pacific and in China itself—in the latter case a favorable aspect of the picture being the successful activities of United States Army Air Force units. Also, we have felt that in general we should from time to time dispose of as many outstanding questions as we consistently can. The desirability of such action in regard to extraterritoriality has been impressed upon us very recently by the arising in "Free" China of an American court case involving alleged manslaughter which is a probable cause of embarrassment to this Government.²⁸

We have accordingly come to the view that, as an ideal moment to take an affirmative step in the matter is not likely to arise, the present is probably as good a time as any, especially as the initiative still lies with us. By taking an affirmative step now we should hope to accomplish three principal objectives: (a) some psychological and political benefit to the cause of the United Nations which would be of concrete assistance to China and thus tend to strengthen the determination of that country in its war effort; (b) the wiping out once and for all of

²⁸ On August 16, 1942, an American sergeant was fatally shot by an American civilian, Boatner Rayner Carney, at Chanyi, Yunnan Province. The American Consular Court at Kunming held a preliminary hearing of the case on August 31, 1942, and committed defendant for trial by United States Court for China. The Justice Department in cooperation with the Judge Advocate General of the War Department appointed army officers to act as Special Judge and Special Prosecutor for the case. The Court convicted Carney of involuntary manslaughter. Correspondence on this case is not printed. (393.1121 Carney, Boatner Rayner)

an existing anomaly in our relations with China and (c) the achievement of agreement in principle to regularize in China the usual rights normally accruing to American and British nationals in friendly foreign countries.

Please communicate the above to Mr. Ashley Clarke and Mr. Eden, and repeat that we are, of course, as indicated previously, desirous of proceeding in consultation and cooperation with the British Government.

HULL

711.933/374 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, September 8, 1942—9 a. m.

[Received 5 p. m.]

1017. Your 770, August 27, 2 p.m.²⁹ Sober consideration on the ground in China of the situation and trends in this country does not in my opinion support proposal that we now surrender our extraterritorial and related rights by a brief treaty such as outlined in telegram under reference with provisions in only a few of the many questions which will arise upon and in connection with relinquishment of such special rights.

I believe that the time is approaching when we should take initiative by proposing treaty discussions but I strongly recommend that we seek conclusion of comprehensive treaties to regulate future Sino-American relations.

I have no doubt that China would be glad to accept proposal for a brief treaty such as has been suggested with postponement to a later date probably indefinitely of consideration non-comprehensive [*sic*] treaties. China at present is in a mood to receive; almost to demand; and not to give or concede. There is a definite trend toward nationalization and government monopolies. There is a disposition to consider the taking over or suppression of established foreign interests in China, the natural concomitant of relinquishment of extraterritorial and related rights. There is openly expressed expectation that after war America will finance Chinese reconstruction and rehabilitation and execution of grandiose schemes for industrial and other expansion by Government not private loans and credits for Chinese benefit and profit; loans secured only on China's national credit with little concern apparently as to their repayments.

There is no evidence of disposition to respect the principle of mutual benefit in trade or other relations. This is not a healthy or

²⁹ See footnote 26, p. 282.

satisfactory situation for future Sino-American relations, and an over-generous policy at this time of first surrendering extraterritorial and related rights and expecting later fair and just treatment in general and trade relations would in my opinion be fatal.

The Chinese should be brought to realize that in surrendering our special rights we consider that China assumes obligations and responsibilities toward American interests which must be recognized and met and that China is under the obligation to do its share in placing Sino-American relations on a satisfactory basis of mutual respect, consideration, benefit and profit. I know of no more satisfactory means of bringing this about than to insist that comprehensive treaties be negotiated to come into force with the surrender of our special rights.

Unless such treaties exist upon the termination of hostilities there will be long delay and great uncertainty before satisfactory trade and other relations can be established. After the war China will undoubtedly face difficult domestic problems. The opportunity for the successful negotiation of comprehensive treaties likely will not be found during that period but if such treaties can be settled now we may be able to participate promptly and effectively in Chinese rehabilitation and reconstruction with some reasonable assurance as to the settled basis of our relationship and with mutual benefit. The existence of basic foreign treaties might also be a stabilizing influence in the reestablishment and organization of the Chinese Government after the war.

The negotiations of such treaties would, of course, require delay; but that delay would also be found after the termination of hostilities. Possible attempts of our enemies to exploit any delay for purposes of propaganda would be readily answerable in the abundant evidence of conditions in the occupied areas and the existing relations between our enemies and their puppet regimes in those areas.

I am concerned that in the outline of proposed brief treaty there is no suggestion that such treaty would be accompanied by a protocol or other understanding providing reasonable minimum safeguards for our nationals and their interests when they come under Chinese jurisdiction. I do not suggest that we can expect to obtain all safeguards contemplated in the understanding which was about to be initialed in 1931,³⁰ but I do believe that we can properly expect a declaration of a minimum of essential safeguards to protect our nationals and their interests. The unsatisfactory Chinese police, judicial and prison systems have not improved during the past decade; they have, in fact, suffered in retrograde; and unfortunately, a system

³⁰ See draft of a treaty between China and the United States, revised as of July 14, 1931, *Foreign Relations*, 1931, vol. III, p. 893.

of both Government and party secret services has spread throughout the country and gained extensive power and domination which seriously threatens the enjoyment of "four freedoms"²¹ not only by Chinese people but by foreigners in this country.

In studying the outline or [of?] proposed brief treaty, the Embassy at Chungking has no files or treaty texts permitting of detailed examination, but the following comments are believed to be pertinent:

As to paragraphs (a) and (b) it seems to be that we have a moral if not a legal obligation in agreeing to the surrender of international settlements to Chinese administration to insure that there will be just and equitable arrangements in regard to the obligations of the former international administrations; and not the obligations to Americans alone. At Shanghai particularly there are substantial municipal assets to be taken into consideration.

This may not be a matter for inclusion in the treaty, but an arrangement should be reached before we agree to surrender of the areas.

In connection with our right under the Boxer Protocol it has been my impression that title to our Embassy property at Peiping is derived through that protocol. That title should be protected. The Generalissimo has told diplomatic representatives that he contemplates that ultimately the capital of China will be moved back to Peiping; at that time our Embassy establishment there will be important to us.

As to paragraph (c), new deeds replacing leases in perpetuity should be of equal tenure and it would be well to provide that there shall be no restrictions on sale or transfer of properties whether in the ports or in the interior. There has been some indication in recent years that Chinese local authorities claim that mission property cannot be sold but may be reclaimed by the local authorities at the original purchase price when no longer desired for mission purposes.

In paragraph (d), the reference to "areas closed for reasons of national security" might be availed of unduly to restrict foreign residence and trade arbitrarily. Careful study of the wording of such a paragraph is suggested.

There have recently arrived in the United States from China a number of foreign service officers of long practical experience in the field in China, familiar with the details and background of China problems. I suggest that these officers could contribute substantially in the detailed study of our treaty relations with China before being reassigned to the field.

GAUSS

²¹ See President Roosevelt's address to Congress on January 6, 1941, Department of State, *Peace and War: United States Foreign Policy, 1931-1941* (Washington, Government Printing Office, 1943), p. 608.

711.933/373 : Telegram

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

LONDON, September 8, 1942—midnight.

[Received September 8—11: 50 p. m.]

5044. Re your 4269, September 5, 2 p. m. The following memorandum was handed me by Mr. Eden this afternoon. I am forwarding it to you for your information and will communicate the views of the Dominion Governments as soon as they are communicated to Mr. Eden and forwarded by him to me.

“His Majesty’s Principal Secretary of State for Foreign Affairs presents his compliments to his Excellency, the United States Ambassador and has the honour to inform him that careful consideration has been given to the communication left with this Department by the Counsellor to the United States Embassy on the 1st September last,³² embodying the proposal that an approach should now be made to the Chinese Government on the subject of extraterritorial and related rights in China.

His Majesty’s Government in the United Kingdom agree that, while the present time is not altogether opportune to raise this question with the Chinese Government, it is doubtful whether any much more favourable occasion is likely to occur in the near future, and they see considerable advantage in acting while the initiative in the matter still rests with the powers possessing extraterritorial rights. His Majesty’s Government cordially welcome therefore the United States Government’s proposal that steps should now be taken by the United States Government and His Majesty’s Government in cooperation to arrive at a settlement of this question; and subject to the concurrence of His Majesty’s Governments in the Dominions, whose views are being obtained without delay, they will be glad to prepare in consultation with the United States authorities a brief draft treaty on the lines suggested, for presentation to the Chinese Government when the time arrives to make the joint approach contemplated by the United States Government.

Meanwhile His Majesty’s Government agree that it would be desirable to limit action at present to the conclusion of a brief treaty dealing only with the abrogation of extraterritorial rights and the related questions referred to in the State Department’s communication. They are impressed with the disadvantages set out by the State Department of negotiating a comprehensive treaty of establishment and commerce while hostilities are in progress, and they strongly

³² See telegram No. 4886, September 1, 8 p. m., from the Ambassador in the United Kingdom, p. 286.

incline to the view that if any such suggestion is advanced by the Chinese Government the two Governments should insist on the larger question being postponed until the end of the war.

A further point relates to Shanghai, which in view of the vast extent of United States and British commercial interests centered there, appears to present a special problem. His Majesty's Government have reason to believe that while the Chinese Government would require the return of the whole area to unfettered Chinese rule they would be ready to grant Shanghai a special status to enable the development of the port to continue with the cooperation of foreign commercial interests. It is considered important therefore that the proposed treaties should not preclude the United States Government and His Majesty's Government from pressing for this special status at the peace settlement; possibly some mention of this question might be included in the treaties.

His Majesty's Government in the United Kingdom would be glad if the foregoing could at once be communicated to the United States Government with an expression of thanks for the courtesy with which the proposal has been transmitted to them. The United States Ambassador will be informed of the views of His Majesty's Governments in the Dominions as soon as they are received."

WINANT

711.933/373 : Telegram

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

WASHINGTON, September 12, 1942—9 p. m.

4423. Your 5044, September 8, 12 p. m., extraterritoriality.

1. We have read with interest the British Foreign Office's memorandum quoted in your telegram under reference, and are gratified that the views of the British Government so closely parallel those of this Government. We have been working on a draft treaty of the kind described in paragraph 3 of the Department's 4087, August 27, 2 p. m., which delineates our thought in regard to this aspect of the question, and when the draft is completed we will expect to transmit a copy to the British Government. Please so inform Mr. Ashley Clarke and Mr. Eden.

2. Please ask Mr. Ashley Clarke informally to be so good as to let us have some elaboration of the British thought in regard to the question raised in the British memorandum of seeking a special status for Shanghai. It is suggested that you say that, as indicated in previous communications from the Department, we have had in mind, in connection with the relinquishment of extraterritoriality and related rights, the complete wiping out of all rights of a special character.

We have felt that such action would best serve the collective interests involved, whereas any holdover from the existing anomalies in our relations with China would constitute a further problem and a continuing source of friction. It seems to us doubtful that the Chinese would be agreeable to continuing or creating any special status for Shanghai. However, as indicated in the first sentence of this paragraph, we should be interested in having an elaboration of the British thought on this point.

3. We assume that the British Government and the Governments of the Dominions which the British Government is consulting concur in our view that it is highly desirable that the fact that the question of extraterritorial jurisdiction in China is under consideration be kept strictly confidential.

4. Please mark your telegrams to the Department on this subject as strictly confidential for the Secretary and the Under Secretary only.

HULL

711.933/377: Telegram

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

LONDON, September 15, 1942—4 p. m.

[Received 4:30 p. m.]

5159. For the Secretary and the Under Secretary. We asked Ashley Clarke if he could elaborate on what the British had in mind with regard to a "special status" for Shanghai (Department's telegram 4423, September 12, 9 p. m.). He was not very specific but did tell us of a recent Chinese "suggestion". About a month ago, he said, Wang Ping Shen³³ in conversation with a member of the British Embassy staff at Chungking indicated that the Chinese recognized that there were many problems requiring settlement in Shanghai and that they would be prepared to agree to some "special status" for that city. No effort was made by the British to draw out their informant for fear of encouraging some undesired Chinese initiative in the matter of extraterritorial and related rights. It is the Foreign Office feeling however that the Chinese would not of course consider any continuance of international control over the administration of Shanghai or any system of international police, et cetera (nor is such control in British opinion desirable), they do believe that the Chinese would be prepared to have certain foreign advisers participating in the proceedings of the future Shanghai municipal authorities. The Foreign Office considers that there would be

³³ Presumably Wang Peng-sheng, Generalissimo Chiang Kai-shek's leading adviser on Japanese affairs and head of the Institute for International Relations, National Military Council.

some advantage in such an arrangement and that it would help in settling the many questions which will inevitably have to be settled with the transfer of power from the jurisdiction of the international (and French) concession administrations to the Chinese. It is their belief that the Chinese realize they will need help in settling such matters and that consequently to this end they too will feel that such foreign advisers will be useful. As an example of the sort of question which will have to be settled, Clarke and Dening³⁴ cited the Shanghai Power Company which is American-owned. What, they asked, for example would be its future status, its obligations to furnish power and the position of its debentures owned not only by American and British holders but by other foreigners? We gather that the Foreign Office feels that this and many similar problems will have to be worked out in one form or another by mutual agreement with the Chinese and their anxiety at the present time is merely to avoid inclusion of any specific provision in the proposed brief treaty which would completely tie our hands with respect to Shanghai.

Clarke describes Wang Ping Shen as a sort of head of China's "Secret Foreign Office" and attributes to him great personal influence with the Generalissimo. The Foreign Office therefore, it is clear, sets great store by his expression of willingness to recognize a "special status" for Shanghai. They think that when the time comes for a British and American approach to this question it will be possible to find out just what the Chinese have in mind.

As to numbered paragraph 3 of the Department's telegram under reference, the Foreign Office is in accord that British and American consideration of the question of the relinquishment of extraterritorial rights should be kept strictly confidential. They do propose however to inform the British Ambassador³⁵ at Chungking in strict confidence and in this connection asked whether Ambassador Gauss has likewise been told of our proposal. They believe that it would be useful for the two Ambassadors to consult together but do not wish to suggest this if Gauss has not been informed. We gather that the Foreign Office intends to ask the British Ambassador how many of the stipulations included in the British draft treaty of 1931³⁶ (which was never brought to a conclusion owing to the Manchurian incident) he thinks the Chinese would still be willing to agree to today. We asked specifically whether the British Ambassador will be authorized

³⁴ Maberly Esler Dening, of the Far Eastern Department of the British Foreign Office.

³⁵ Sir Horace James Seymour.

³⁶ The British Minister and Chinese Minister for Foreign Affairs agreed on a draft treaty on June 6, 1931; see *Foreign Relations*, 1931, vol. III, p. 875. Complete text not printed, but for papers regarding British negotiations paralleling those of the United States, see *ibid.*, 1930, vol. II, pp. 418 ff., and *ibid.*, 1931, vol. III, pp. 726 ff.

to discuss this question with any Chinese prior to our proposed approach to them and were given assurances that he would not.

WINANT

711.933/377 : Telegram

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

WASHINGTON, September 18, 1942—5 p. m.

4534. Your 5159, September 15, 4 p. m., extraterritoriality.

1. We are considering Ashley Clarke's comments with regard to Shanghai.

2. Please inform the British Foreign Office that Ambassador Gauss has been informed with regard to this matter in strict confidence. He has indicated that he would favor the conclusion of comprehensive treaties rather than brief treaties. We are telling him that the British Government concurs in our general views upon the question as a whole; that it favors limiting action at present to the conclusion of brief treaties; and that his comments are being studied. He is also being told that the British Government proposes to inform the British Ambassador at Chungking and has suggested that consultation between the British Ambassador and himself would be useful. Ambassador Gauss is being authorized to discuss the subject with his British colleague if the latter should so desire.

HULL

711.933/374 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, September 18, 1942—6 p.m.

844. Department's 770, August 27, 2 p.m.,³⁷ your 1017, September 8, 9 a.m.

1. The British Government has informed us that it concurs in our general views upon the question of relinquishment of extraterritorial rights and that it is of opinion that it would be desirable to limit action at present to the conclusion of brief treaties of the type which we described.

2. The British Government suggested that it felt that it would be possible and desirable to arrange for some special status for Shanghai. In requesting an elaboration of the British views in this matter, we indicated that we felt that the wiping out of all rights of a special character would best serve the collective interests of all involved. The British Government has explained that it envisages possibly an

³⁷ See footnote 26, p. 282.

arrangement for the participation of foreign advisers in the proceedings of the future municipal authorities and it has indicated that it desires to avoid any specific provision in the proposed treaties which would tie its hands with respect to Shanghai.

3. The British Government has asked whether you have been informed. It proposes to inform the British Ambassador at Chungking and has suggested that consultation between you and your British colleague would be useful. We are telling the British Government that you have been informed, are indicating your general position with regard to the subject, and are stating that you are also being informed of the British Government's position. You are authorized to discuss this subject with your British colleague if he should mention it to you. The British Government is being so informed.

4. We appreciate and are giving continuing study to the comments contained in your telegram under reference.

5. We of course regard this whole subject as strictly confidential and have so stated to the British Government, which has emphatically concurred. In this connection please mark your telegrams to the Department on this subject as strictly confidential for the Secretary and the Under Secretary only.

HULL

793.003/932 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, September 23, 1942—11 a.m.

[Received September 24—8:11 p. m.]

1088. For the Secretary and the Under Secretary. Your 844, September 18, 6 p. m. British Ambassador called yesterday afternoon to discuss extraterritoriality proposals. London has instructed him to recommend what essential provisions of proposed 1931 arrangement should be retained. He has promised me copy of his recommendations for any comment I wish to make to the Department.

GAUSS

793.003/934b : Telegram

*The Acting Secretary of State to the Ambassador in the United Kingdom (Winant)*⁸³

WASHINGTON, October 3, 1942—10 p. m.

4818. Department's no. 4534, September 18, 5 p. m., no. 4423, September 12, 9 p. m., and related telegrams on extraterritorial jurisdiction in China.

⁸³ On an attached note Mr. Welles wrote: "Plan approved by the President, Oct. 3—SW".

1. We anticipate that with the installing of a new Chinese Ambassador ³⁹ here, we may find the Chinese Government approaching this Government at almost any time on the subject of the Chinese Government's desire to terminate the system of extraterritorial jurisdiction in China. As we have previously stated, one of the important reasons why we have felt it advisable to take some affirmative action in reference to the question of relinquishing extraterritorial rights in China at this time has been to show an initiative on the part of the United States and Great Britain and to keep the initiative in our hands.

2. With the foregoing considerations in mind, we believe that it would be advisable for this Government to inform the Chinese Ambassador here in strict confidence and for the British Government to inform the Chinese Ambassador ⁴⁰ in London in strict confidence for their report to the Chinese Government similarly in strict confidence, that the American Government and the British Government have been for a good many weeks giving intensive consideration to the question of making approaches to the Chinese Government directed toward the relinquishment of consular jurisdiction in China and that the study of the American and the British Governments has now proceeded to a point where the American Government and the British Government respectively expect to present within the relatively near future to the Chinese Government for its consideration draft treaties, the conclusion of which would accomplish the end described.

3. Please inform Mr. Eden at the earliest possible moment of the foregoing and say that I suggest that the American Government and the British Government orally inform the respective Chinese Ambassadors in Washington and in London in the sense indicated on Friday, October 9, the American Government's communication to be in the forenoon and the British Government's communication to be in the afternoon in order to take account of difference in time.

4. Please inform Mr. Eden also that the text of a brief draft treaty of the kind we have in mind, prepared after study of the British Foreign Office's comments, the comments of Ambassador Gauss, and the comments which Ambassador Gauss has informed us the British Ambassador at Chungking has forwarded to the British Government, is being telegraphed in a separate message. Please communicate the text, when received, to Mr. Eden for the British Government's information and such comment as it may wish to offer.

WELLES

³⁹ Wei Tao-ming, succeeding Hu Shih.

⁴⁰ V. K. Wellington Koo.

793.003/934a : Telegram

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

WASHINGTON, October 3, 1942—11 p. m.

4819. Please communicate at the earliest possible moment to Mr. Eden for the information and comment of the British Government the text of a brief draft treaty relating to American extraterritorial jurisdiction in China which we have in mind presenting to the Chinese Government. The text is as follows: ⁴¹

TREATY WITH REGARD TO RELATIONS BETWEEN THE UNITED STATES OF AMERICA AND CHINA

The United States of America and the Republic of China, desirous of defining more clearly the general relations between the two countries, have resolved to conclude a treaty for that purpose and 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:

ARTICLE I

All those provisions of treaties or agreements in force between the United States of America and the Republic of China which authorize the Government of the United States of America or its representatives to exercise jurisdiction over nationals of the United States of America in the territory of the Republic of China are abrogated. Nationals of the United States of America in such territory shall be subject to the jurisdiction of the Government of the Republic of China in accordance with the principles of international law and practice.

ARTICLE II

The Government of the United States of America considers that the Final Protocol concluded at Peking on September 7, 1901, between the Chinese Government and other governments, including the Government of the United States of America, should be terminated and agrees that the rights accorded to the Government of the United States of America under that Protocol and under agreements supplementary thereto shall cease.

The Government of the United States of America will cooperate with the Government of the Republic of China for the reaching of

⁴¹ A summary of the text was sent to the Ambassador in China in telegram No. 946, October 10, 2 p. m.

any necessary agreements with the other governments concerned for the transfer to the Government of the Republic of China of the administration and control of the Diplomatic Quarter at Peiping, including the control of the official assets and the official obligations of the Diplomatic Quarter and the Government of the Republic of China will accept such transfer and will make provision for the assumption of such obligations and for the recognition and protection of all legitimate rights in such Quarter.

The Government of the Republic of China hereby accords to the Government of the United States of America a continued right to use for official purposes the land which has been allocated to the Government of the United States of America in the Diplomatic Quarter in Peiping, on parts of which are located buildings belonging to the Government of the United States of America.

ARTICLE III

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 the 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 control of the official assets and the official obligations of those Settlements and the Government of the Republic of China will accept such transfer and will make provision for the assumption of such obligations and for the recognition and protection of all legitimate rights in those Settlements.

ARTICLE IV

In order to obviate any questions as to existing rights in respect of and titles to real property in territory of the Republic of China possessed by nationals (including corporations or associations), or by the Government, of the United States of America, particularly questions which might otherwise arise from the abrogation of the provisions of treaties or agreements as stipulated in Article I, it is agreed that such existing rights shall be indefeasible and shall not be questioned upon any ground except upon proof, established through due process of law, of fraud in the acquisition of such rights.

It is also agreed that if it should be the desire of the Government of the Republic of China to replace, by new deeds of ownership, leases in perpetuity or other documentary evidence relating to real property held by nationals, or by the Government, of the United States of America, the replacement shall be made by the Chinese authorities gratuitously and the new deeds of ownership shall fully protect such leaseholders and their legal heirs and assigns without diminution of their prior rights and interests, including the right of alienation.

It is further agreed that nationals of the Government of the United States of America shall not be required or asked by the Chinese authorities to make any payments as land transfer fees for or with relation to any period prior to the effective date of this treaty.

ARTICLE V

The Government of the United States of America having long accorded rights to nationals of the Republic of China within the territory of the United States of America to travel, reside and carry on trade throughout the whole extent of that territory, the Government of the Republic of China agrees to accord similar rights to nationals of the United States of America within the territory of the Republic of China.

ARTICLE VI

The Government of the United States of America and the Government of the Republic of China mutually agree that the consular officers of each country, duly provided with exequaturs, shall be permitted to reside in those ports, places and cities of the other country which are, or may be, open to consular officers of any foreign country. The consular officers of each country shall have the right to interview, to communicate with, and to advise their countrymen within their consular districts; they shall be informed immediately whenever any of their countrymen are arrested or detained in their consular districts by authorities of the other country and, upon notification to the appropriate authorities, they shall be permitted to visit any such countrymen; and, in general, they shall be accorded the rights, privileges, and immunities enjoyed by consular officers under modern international usage.

It is likewise agreed that the nationals of each country, in the territory of the other country, shall have the right at all times to communicate with the consular officers of their country.

ARTICLE VII

The Government of the United States of America and the Government of the Republic of China mutually agree that they will enter into negotiations for the conclusion of a comprehensive modern treaty of friendship, commerce, and consular rights, 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 in which they are now engaged. The treaty to be thus negotiated will be based upon the principles of international law and practice as reflected in modern international procedures and in the modern treaties which the Government of the United States of America and the Government of the Republic of China respectively have in recent years concluded with other governments.

Pending the conclusion of a comprehensive treaty of the character referred to in the preceding paragraph, if any questions affecting the rights in territory of the Republic of China of nationals (including corporations or associations), or of the Government, of the United States of America should arise as a consequence of the relinquishment

of extraterritorial rights and if these questions are not covered by the present treaty, or by the provisions of existing treaties, conventions, or agreements between the Government of the United States of America and the Government of the Republic of China not inconsistent with this treaty, such questions 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.

ARTICLE VIII

The present treaty shall come into force on the day of the exchange of ratifications.

The present treaty shall be ratified, and the ratifications shall be exchanged at Washington as soon as possible.

Signed at Washington this day of nineteen hundred and forty-two.

WELLES

793.003/10-642

Memorandum of Conversation, by the Chief of the Division of Far Eastern Affairs (Hamilton)

[WASHINGTON,] October 6, 1942.

Participants: Sir George Sansom ⁴²
Mr. Hornbeck
Mr. Hamilton

Mr. Hornbeck asked Sir George Sansom to call.

In reply to inquiry Sir George said that he was familiar with recent developments relating to discussions between the British Foreign Office and the Department on the subject of American and British extraterritorial jurisdiction in China. He mentioned that his latest information was that the British Government had referred the matter to the British Ambassador at Chungking with a request for the Ambassador's comments. Mr. Hornbeck and Mr. Hamilton then explained that there had been a number of subsequent developments. Sir George Sansom was given to read a copy of the text of the draft treaty which the Department had telegraphed to the American Embassy at London for communication to the British Foreign Office.

Mr. Hornbeck and Mr. Hamilton stressed that they had not asked Sir George to call for the purpose of discussing details but in order to give him our general political concept in which there figured largely the time element. It was emphasized that we desire to keep the initiative in the hands of the American and the British Governments

⁴² British Minister in the United States.

and that in the light of that fact it seemed important to us that we proceed promptly in making approaches to the Chinese Government. It was pointed out that this would be, in our opinion, advantageous from the short-swing as well as the long-swing point of view in the relations of the United States and of Great Britain with China.

Sir George Sansom said that he personally felt that it would be unwise in any treaty with the Chinese giving up extraterritorial jurisdiction to attempt to include many restrictive provisions designed to safeguard American or British interests. He thought that such an attempt would nullify the beneficial psychological effect which we were attempting to create.

Sir George said that he would send a brief telegram to the British Foreign Office reporting his understanding of our general reasoning in the matter from the broad-gauge, political point of view. Mr. Hornbeck and Mr. Hamilton said that they thought that such action would be helpful.

M[AXWELL] M. H[AMILTON]

793.003/935 : Telegram

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

LONDON, October 6, 1942—midnight.

[Received October 7—2 a. m.]

5573. For the Acting Secretary of State. Your 4818, October 3, 10 p. m. This evening I received the following communication from Mr. Eden together with a suggested notification to the press for publication in the morning papers on October 10 both of which are annexed below. . . .

Begin Mr. Eden's communication.

"His Majesty's Government have considered the proposals of your Government contained in the enclosures in your letter of October 5th regarding the abrogation of extraterritorial rights and privileges in China.

With the general purport of these proposals I am happy to be able to tell you that His Majesty's Government are in wholehearted agreement. They would only reserve to themselves the right to propose certain amendments to the treaty, but these would be of a purely drafting nature and would involve no substantiative change. His Majesty's Government would however have to include in their treaty an additional article covering the rendition of the British concessions in Tientsin and Canton.

His Majesty's Ambassador at Chungking has suggested that we might try to secure, in connection with the treaty, an exchange of notes containing additional assurances concerning the treatment of our

nationals after the abolition of extraterritoriality. His Majesty's Government would hope to discuss this later with the United States Government.

In regard to procedure, I note that your Government contemplates a confidential communication of our intentions to the Chinese Government. We think that there would be great advantage in publicity at this stage. It would seem desirable to proclaim the important decision we have taken, which at this moment will meet with a considerable degree of approval amongst our own peoples. Moreover it may be expected that publicity for our decision would enhance its value in Chinese eyes. While complete secrecy during the period of negotiation of the treaty might be desirable from the point of view of avoiding public controversy we should be very doubtful whether in fact we could rely on the Chinese keeping the matter secret for any considerable period of time.

If these assumptions are correct, there would seem to be every advantage in giving immediate publicity in a form that is acceptable to the two Governments, and, if the United States Government accept this argument, we should attach great importance to concerting a joint declaration to be issued by the two Governments as soon as may be after the decision is communicated to the Chinese Government. The Chinese National Day (October 10) might offer a suitable occasion.

In the hope that the United States Government may agree with these proposals, I enclose a draft of such a declaration for their consideration."

End Mr. Eden's communication.

Begin suggested notification to press.

"His Majesty's Government and the United States Government have declared in public pronouncements that they were prepared at the conclusion of hostilities in the Far East to negotiate with the Chinese Government for the abrogation of the extraterritorial rights and privileges hitherto enjoyed by their respective nationals in China.

In order to emphasize their friendship and solidarity with their Chinese Allies His Majesty's Government and the United States Government have lately been in consultation regarding the relinquishment of these rights and privileges at the earliest possible date.

In accordance with the understanding reached between the two Governments a communication was made to the Chinese Chargé d'Affaires in London and to the Chinese Ambassador in Washington on the 9th October indicating that the two Governments hoped in the near future to open discussions on the subject with the Chinese Government and to present for their consideration a draft treaty for the immediate relinquishment of the rights and privileges in question".

End suggested notification to press.

793.003/935 : Telegram

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

WASHINGTON, October 7, 1942—5 p. m.

4892[-94].⁴³ Department's 4818, October 3, 10 p. m.; Department's 4819, October 3, 11 p. m.; and your 5573, October 6, midnight.

1. We are gratified to learn of the British Government's wholehearted agreement with the general purport of the proposals made in our telegrams under reference and that it is prepared to make the suggested approach to the Chinese Government.

2. On October 9 we shall therefore inform the Chinese Ambassador—and the Chinese Minister for Foreign Affairs,⁴⁴ who is also now in Washington—in the general sense suggested in our telegram 4818, and we understand that the British Foreign Minister will make a similar statement to the Chinese Chargé in London on behalf of the British Government. We shall also inform the Chinese representatives here that the brief draft treaty which this Government envisages would provide for the relinquishment of American extraterritorial and related rights in China, for the settlement of questions which would otherwise arise as a consequence of such relinquishment during the period prior to the conclusion of a comprehensive modern treaty of friendship and commerce, and for the negotiation at a mutually convenient time of such a comprehensive modern treaty.

3. With regard to the question of public announcements by the American and by the British Governments, we appreciate the considerations set forth in your telegram and we are in accord that announcements would be desirable. However, we consider that joint announcements might carry an implication of pressure upon the Chinese Government by the British Government and ourselves. Consequently, we believe that individual announcements by this Government here and by the British Government in London would be preferable to joint announcements by the two Governments. The text of the announcement which this Government therefore plans to issue on October 10 reads as follows:

“The President of the United States in the year 1934, and the Department of State on July 19, 1940,⁴⁵ and on May 31, 1941,⁴⁶ expressed the willingness of this Government, when conditions should be favorable therefor, to negotiate with the Chinese Government for the relinquishment of the extraterritorial and related rights and privileges hitherto possessed by the United States in China.

⁴³ Text of announcement quoted in paragraph 3 sent as telegram No. 4893, October 7, 5 p. m.; remaining paragraphs sent as telegram No. 4894, October 7, 5 p. m.

⁴⁴ T. V. Soong.

⁴⁵ For text of the July 19, 1940, statement, see *Foreign Relations, Japan, 1931-1941*, vol. I, p. 927.

⁴⁶ *Ibid.*, p. 929.

On October 9 the Acting Secretary of State informed the Minister for Foreign Affairs of China and the Chinese Ambassador in Washington that the Government of the United States is prepared promptly to negotiate with the Chinese Government a treaty providing for the immediate relinquishment of this country's extraterritorial rights in China and for the settlement of related questions, and that the Government of the United States expects in the near future to present to the Chinese Government for its consideration a draft treaty which would accomplish the purpose mentioned.

The Government of the United States has during the past several weeks exchanged views with the British Government in regard to this general question and the Government of the United States is gratified to know that the British Government shares this Government's views and is taking similar action."⁴⁷

We assume that the British announcement will take a similar form. We regret that there is not sufficient time for us to confer with the British Government upon the wording of this announcement.

4. We plan to inform the Chinese representatives when we see them on October 9 that in view of the Chinese national anniversary we have in mind making on October 10 a public announcement.

5. The question of the timing of the public announcements in Washington and in London respectively will be the subject of a separate telegram.

6. Please communicate the foregoing to Mr. Eden at the earliest possible moment.

WELLES

793.003/936 : Telegram

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

LONDON, October 8, 1942—1 p. m.
[Received October 8—9:45 a. m.]

5599. For the Acting Secretary of State. I took up with Mr. Eden the text of the announcement as cabled in Department's 4893, October 7, 5 p. m. and the substance of the Department's message 4892, October 7, 5 p. m., 4894, October 7, 5 p. m.⁴⁸ and 4895, October 7, 5 p. m.⁴⁹

Mr. Eden asked me to thank you and to say that his Government was in agreement and that they would give me the text of the British statement late this afternoon. Upon receiving it I will forward it to you.

WINANT

⁴⁷ Text transmitted to the Ambassador in China in Department's telegram No. 938, October 9, 9 p. m.

⁴⁸ See footnote 43, p. 304.

⁴⁹ Telegram No. 4895 not printed; it announced that the United States intended to release statement on October 10, 2 a. m. (793.003/935).

793.003/937: Telegram

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

LONDON, October 8, 1942—9 p. m.

[Received October 8—6 p. m.]

5605. For the Acting Secretary. My 5599 of October 8, 1 p. m. I have just received a note from Mr. Eden stating that he agreed with the procedure proposed and sending the text of a notification which the British will make to the press for publication in the morning papers on October 10. He mentions that the British Government has taken note of the arrangements for publication which we suggest and will act in conformity with them. The British are also instructing the censor not to allow any cables on this subject to leave this country even with a release hour until 2 a. m., October 10 and trust we will take similar measures.

The Foreign Office states it would appreciate it if the Department, when telegraphing the text of the draft treaty to our Ambassador at Chungking, could request him at the same time to show the draft to his British colleague.

The following is the suggested notification to the press for publication on October 10:

“His Majesty’s Government have declared in public pronouncement on the 14th January 1939, the 16th July 1940 and the 11th June 1941, that they were prepared at the conclusion of hostilities in the Far East to negotiate with the Chinese Government for the abrogation of the extraterritorial right and privileges hitherto enjoyed by their respective nationals in China. Similar pronouncements have been made by the United States Government with whom His Majesty’s Government have been in consultation.

In order to emphasize their friendship and solidarity with their Chinese allies, His Majesty’s Government have now decided to proceed further in this matter at once. Accordingly, the Secretary of State for Foreign Affairs made a communication to the Chinese Chargé d’Affaires in London on the 9th October indicating that His Majesty’s Government hoped in the near future to open discussion with the Chinese Government and to present for their consideration a draft treaty for the immediate relinquishment of extraterritorial right and privileges in China and for the settlement of questions intimately connected therewith.

His Majesty’s Government have recently been engaged in an exchange of views with the United States Government on this question. They have been pleased to learn that a similar communication was made by the United States Government on the same day to the Chinese Ambassador in Washington and the fact that the two Governments have found it possible to take similar action in this important matter has occasioned lively satisfaction in London.”

WINANT

793.008/10-942

Memorandum of Conversation, by the Chief of the Division of Far Eastern Affairs (Hamilton)

[WASHINGTON,] October 9, 1942.

Participants: Mr. Welles
and
The Chinese Ambassador, Dr. Wei Tao-ming
Present: Mr. Hamilton

The Chinese Ambassador called at Mr. Welles' request at ten o'clock this morning. Mr. Welles stated that he was sorry to be a few minutes late in keeping the appointment because of delay in the arrival of his train from Boston.

Mr. Welles then said that he had asked the Ambassador to call in order to make to the Ambassador a communication which was set forth in the paper which Mr. Welles had in his hand. Mr. Welles said that he would read this paper, after which he would hand it to the Ambassador. Mr. Welles then read aloud the attached statement, as follows:

"The policy of the Government of the United States to move rapidly whenever conditions were favorable toward relinquishment of this Government's extraterritorial jurisdiction in China has been made clear on a number of occasions. During recent months this Government has been considering whether a treaty which would give immediate effect to this policy might not be negotiated between this Government and the Government of China.

"The Government of the United States believes that the essential end in view would be accomplished if a brief treaty were to be concluded between our two Governments which would provide for the immediate relinquishment of this country's extraterritorial and related rights in China, for the settlement of questions which would otherwise arise as a consequence of such relinquishment during the period prior to the conclusion of a comprehensive modern treaty of friendship and commerce, and for the negotiation at a mutually convenient time of such a comprehensive modern treaty. This Government consequently expects in the near future to present a draft brief treaty of the nature indicated to the Chinese Government for its consideration.

"In view of the occurrence tomorrow of the Chinese national anniversary, we have in mind making a brief public announcement at nine o'clock this evening so that news in regard to the matter may be carried in the morning newspapers of October 10.

"This Government is regarding this matter as strictly confidential until public announcement is made and requests that the Chinese Government also so regard it until that time.

"It is understood that the British Government is today informing the Chinese Chargé in London of the views of the British Government on this subject which are believed to be similar to the views of

this Government and that the British Government will also make an appropriate public announcement.

"It is requested that the Chinese Ambassador be so good as to inform his Government by urgent, confidential cable that the Government of the United States is prepared promptly to negotiate with the Chinese Government a treaty along the lines set forth in the second paragraph and that this Government expects in the near future to present a draft of such a brief treaty to the Chinese Government for its consideration."

After reading the statement, Mr. Welles handed it to the Ambassador. Mr. Welles then said that it gave him a great deal of gratification to make this communication to the Chinese Ambassador. Mr. Welles added that, as the Ambassador was aware, this Government in 1931 had made known to the Chinese Government in discussions which were then occurring its desire to proceed toward relinquishment of this country's extraterritorial jurisdiction in China. Mr. Welles recalled that these discussions were interrupted by Japan's aggression in Manchuria. Mr. Welles referred also to other occasions when this Government had made known its attitude in the matter. Mr. Welles repeated that it gave him a great deal of gratification to communicate to the Chinese Ambassador this Government's present thought in the matter, which it is believed would also be pleasing to the Chinese Government.

The Chinese Ambassador said that this represented a great step in the happy relations between our two countries. He said that he would immediately report the matter to his Government.

The Ambassador inquired when Mr. Welles thought that this Government would be in position to present to the Chinese Government for its consideration the draft of the treaty referred to. Mr. Welles replied that he thought that this would be done in no longer than a week.

M[AXWELL] M. H[AMILTON]

793.003/935: Telegram

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

WASHINGTON, October 9, 1942—6 p. m.

4938. Your 5573, October 6, midnight, and related telegrams.

1. The Chinese Ambassador when informed this morning in the general sense indicated in our 4892, October 7, 5 p. m., expressed his Government's gratification. Later during the call he inquired when the text of the draft treaty would be communicated to the Chinese Government and was informed that we would expect to give the Chinese Government a draft text within a week.⁵⁰

⁵⁰ In telegram No. 945, October 10, 1 p. m., the substance of this paragraph was communicated to the Ambassador in China.

2. The Department would appreciate receiving as soon as possible the proposed amendments and suggestions which the British Government may have in mind in reference to our draft of a treaty.

3. Please inform Mr. Eden of the foregoing.

WELLES

793.003/939 : Telegram

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

LONDON, October 10, 1942—8 p. m.

[Received 8:05 p. m.]

5658. For the Acting Secretary. Thank you very much for your 4934, October 9, noon.⁵¹ After receiving your 4938, October 9, 6 p. m., I contacted Mr. Eden, who was out of London, by telephone. He wanted me to say that the British announcement was very well received here. He tells me, however, that the British have very large interests in China which will be affected by the treaty agreement and that it would be very helpful to him if he could have a fortnight to talk to those concerned rather than cutting the time for consideration of drafts to one week. He is most anxious that British action and our action be undertaken on a common time table.

WINANT

793.003/971

*Memorandum of Conversation, by the Chief of the Division of Far Eastern Affairs (Hamilton)*⁵²

[WASHINGTON,] October 12, 1942.

Participants: Dr. T. V. Soong, Minister for Foreign Affairs of China
Mr. Hornbeck
Mr. Hamilton

Dr. Soong called at his initiative on Mr. Hornbeck and Mr. Hamilton, who, in order to save Dr. Soong's time, received Dr. Soong together.

Dr. Soong said that he had wished to call before leaving on a trip to China. He said that he planned to depart from Washington on Thursday.

Dr. Soong said that he had received a telegram from Generalissimo Chiang Kai-shek asking Dr. Soong to call on the Secretary of State and to express appreciation of this Government's action on October 9 in reference to the question of extraterritoriality. Dr. Soong re-

⁵¹ Not printed.

⁵² Approved by Mr. Hornbeck.

ferred to the fact that the Secretary of State was away and said that he had an appointment to see Mr. Welles tomorrow to express to him the Generalissimo's appreciation.

When Dr. Soong made initial reference to the question of extraterritoriality, Mr. Hornbeck smilingly asked (having previously been authorized by Mr. Welles to mention such matter very informally and casually) why Dr. Soong did not stay in Washington to assist in negotiation of the treaty abrogating American extraterritorial jurisdiction in China. Dr. Soong at first seemed to give serious consideration to this query and asked whether Mr. Hornbeck thought it would be all right for him to suggest to the War Department that the War Department, which was making a plane available to Dr. Soong for the trip, postpone the departure of the plane for a week or so. Mr. Hornbeck pointed out that we of course could give no guarantee as to how long the negotiation of the treaty might take, but that it had occurred to us that it would be nice if Dr. Soong were here to assist in the matter. Mr. Hamilton mentioned that Dr. Soong had signed the tariff treaty of 1928⁵³ and the lend-lease agreement,⁵⁴ and that the extraterritoriality treaty might have served to round out the picture. Mr. Hornbeck said that of course with Dr. Soong in Chungking he could assist in the matter at that end, and from this point the conversation proceeded on a basis of tacit assumption that Dr. Soong would leave on Thursday as planned.

Dr. Soong raised a number of questions in regard to the scope of the proposed treaty. To these questions Mr. Hornbeck and Mr. Hamilton commented to the effect that we had not at this moment worked out everything in precise detail; that we did not expect that the proposed treaty would cover completely every question; that we were, however, taking a very big step; that some questions, especially those of detail, could probably be taken care of to better advantage at some subsequent time; that we were concentrating on the question of consular jurisdiction and what related to it; that we planned to present a brief treaty rather than a long, detailed one; and that we were attempting to include broad basic items with regard to which no controversial matters would be likely to be presented and which would be generally supported in both our countries.

Dr. Soong inquired when we thought the draft would be ready for presentation to the Chinese Government. Mr. Hornbeck referred to the fact that the Acting Secretary had informed the Chinese Ambassador last Friday that we hoped to have the draft ready within a week. Mr. Hornbeck added that, as Dr. Soong knew from his practical ex-

⁵³ Signed at Peking, July 25, 1928, *Foreign Relations*, 1928, vol. II, p. 475.

⁵⁴ Signed at Washington, June 2, 1942, Department of State Executive Agreement Series No. 251, or 56 Stat. 1494; see also *post*, pp. 566 ff.

perience, no absolute guarantee as to time could be given in any such matter.

Dr. Soong in his whole approach was very friendly, appreciative, and understanding. As he left he expressed his adieus and Mr. Hornbeck and Mr. Hamilton extended their good wishes to Dr. Soong for a pleasant, safe, and profitable trip to Chungking.

M[AXWELL] M. H[AMILTON]

793.003/940 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, October 12, 1942.

[Received 3:50 p. m.]

1160. Following for the President from Generalissimo.

"On the occasion of the thirty-first anniversary of the Republic of China the entire nation rejoiced that the United States has made a voluntary move to relinquish extraterritorial rights in China. Furthermore, the ringing of the Liberty bell in Independence Hall to commemorate China's Liberty Day finds resounding echoes in every Chinese heart of good will and friendship for America. These tributes will do more to uphold the morale of our people in continuing resistance than anything else could possibly do. I personally am so deeply moved by this beautiful and touching gesture that I cannot find words adequate to express my feelings. As a boy the very words 'liberty bell' and 'Independence Hall' fired my imagination and made a profound and lasting impression in my mind. Throughout my struggle to secure national freedom for China I have continuously dreamed of the day when she would assume the full stature of an independent and democratic nation. Today this ideal has been realized. From the bottom of my heart, I thank you for your superb and inspired leadership and moral courage in assisting China to gain equality among the United Nations. I assure you that China shall not fail you in our joint task of securing freedom for all mankind. Chiang Kai Shek."

GAUSS

793.003/944 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, October 12, 1942—2 p. m.

[Received October 13—4:30 p. m.]

1169. Announcement United States Government of its intention to negotiate with China for immediate relinquishment of extraterritorial rights in China enthusiastically received in all Chinese circles. The Generalissimo at mass meeting celebrating double tenth stated

that abolition of unequal treaties means fulfillment of one of Sun Yat Sen's aims that Chinese people should redouble efforts to build nation worthy of being member of United Nations and expressed appreciation of Chinese people for ringing of liberty bell on such historic occasion.

Local press issued extras carrying announcement and editorially acclaimed the action stating that it was appropriately timed to coincide with celebration of China's independence from Manchu rule, that the move will further strengthen already cordial relations between China and the United States and Great Britain, equal partner of United Nations, that action will serve to reassure all nations of genuineness of intentions underlying Anglo-American policy and that such a step will be a blow to Japanese propaganda efforts. Chief emphasis in most editorials and comments including the Generalissimo's announcement this afternoon on American action, while British participation has been underplayed.

GAUSS

793.003/939 : Telegram

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

WASHINGTON, October 13, 1942—6 p. m.

5020. Your 5658, October 10, 8 p.m.

1. We appreciate the British Government's desire to give full and careful consideration to various aspects of this important matter. As you know, we told the Chinese Ambassador on October 9, in reply to his inquiry, that we would expect to present a draft text to the Chinese Government within a week. We made this statement, which is not necessarily categorical, in consideration of the Ambassador's obvious desire for early action and of the fact that our preliminary draft had been formulated after careful study, and had received the British Government's agreement in principle. As public expectation in this country, in Great Britain, in China, and elsewhere has been aroused, and for other reasons, we feel that it is urgently desirable to proceed rapidly.

2. We doubt the desirability of attempting to have included in the brief treaty or in accompanying exchanges of notes matters of detail or provisions which would be restrictive in character.

3. We hope that the British Government will be in position to furnish its further comments on our suggested draft within the shortest feasible time.

WELLES

701.9811/821

Memorandum of Conversation, by the Acting Secretary of State

[WASHINGTON,] October 14, 1942.

Dr. T. V. Soong, Chinese Minister for Foreign Affairs, called to see me today to say goodbye. The Minister said he would attend the Conference of the Party Executive Committee to be held in Chungking next month and that he would probably remain in China during the month of December in order to get thoroughly in touch with all developments in his own country, and that he would then return to Washington in January.

The Minister spoke with the greatest enthusiasm regarding the announcements of this Government covering the relinquishment of extraterritorial rights by the United States in China. He said that nothing had given greater satisfaction to Chiang Kai-shek, and that the latter had an almost sentimental feeling with regard to this issue inasmuch as it was one of the points specifically mentioned in the last will of Sun Yat-sen. He said that he would have liked to remain in Washington to sign the first treaty himself, but that on account of the date fixed for the holding of the party assembly and the difficulty of transportation facilities, he did not feel warranted in postponing his departure.

S[UMNER] W[ELLES]

793.003/946 : Telegram

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

LONDON, October 15, 1942—1 a. m.

[Received 2:30 a. m.]

5752. Your 5020, October 13, 6 p. m., my 5658, October 10, 8 p. m., your 4938, October 9, 6 p. m., paragraph 2. This morning Mr. Eden forwarded to me the following note together with proposed amendments and suggestions in reference to our draft treaty:

Begin note. "With regard to the draft treaty covering the abrogation of extraterritorial jurisdiction in China which you sent me in your letter of the 5th October and the comments contained in my preliminary reply of the following day, I send you herewith a memorandum containing some suggested amendments for the consideration of your Government and some indications of the points on which additional provisions will be required in the British treaty to cover, for example, the rendition of the British concessions at Tientsin and Canton.

I should be grateful if you would note that these observations are subject to the views of the Governments of the Dominions and India and may therefore be modified in the light of the consultation which

is now taking place. But in view of the intention of your Government of which you informed me on the 10th October to hold themselves in readiness to present their treaty to the Chinese within a week, I have thought it best to let you have at once our views even though in provisional form.

You will, I know, understand that while it was possible to consult the Governments of the Dominions and India on the principle of the abolition of extraterritoriality and obtain their replies in a very short time, a breathing space is now required to allow these governments to consider carefully the terms of a treaty which, although brief and drawn in somewhat general terms, will have an important bearing on the treatment of our respective peoples both now and in the future. While therefore it is not essential that His Majesty's Government and the United States Government present their draft treaties to the Chinese simultaneously, it would be greatly appreciated if the United States Government could in fact postpone the presentation of the treaty for a further week or two until the observations of the Dominions and India have been obtained". End note.

Begin proposed amendments and suggestions. "Subject to the comments and suggestions made below and to the results of consultation with the Governments of the Dominions and India which is now taking place, His Majesty's Government in the United Kingdom would be ready to sign with China a treaty following *mutatis mutandis* the draft treaty enclosed in Mr. Winant's letter of October 5th.

1. His Majesty's Government attach importance to the following points:

Article III. At the end of paragraph 2 His Majesty's Government suggest that the last two or three lines should run as follows. 'And will make provision for the assumption of the official obligations and liabilities of those settlements and for the recognition and protection of all legitimate rights therein.' It is desired by the addition of the word 'liabilities' to cover in particular the liabilities of the settlements as regards pensions to their employees.

It should also be explained that the Municipal Council of the International Settlement at Shanghai (and perhaps also at Amoy, though this is not certain) has vested municipal assets in the hands of trustees for the purpose of securing the due discharge of certain municipal obligations such as loan debenture issues and pensions for the municipal staff. In order to safeguard the creditors of the respective councils in this respect, His Majesty's Government would be grateful if the United States Government would consider adding the following sentence to article III: 'It is understood that where the obligations and liabilities of municipal councils of these settlements are secured upon assets in China, the security and the existing rights of the holders of the obligations to enforce the security will be maintained.'

Article IV. His Majesty's Government in the United Kingdom would like to draft the end of the paragraph as follows:

‘Except upon proof, established through due process of law, that such rights have been acquired by fraud or as the result of confiscatory action during the Japanese occupation, in which case the property shall be restored on such terms as justice shall require to its previous owners.’

Article V. His Majesty’s Government would desire to add a sentence running as follows: ‘In all legal proceedings and in all matters relating to the administration of justice, the levy of taxes or requirements in connection therewith and the carrying on of commerce, nationals of His Majesty in China and nationals of China in the territories of His Majesty shall enjoy treatment not less favourable than that accorded in those territories to nationals of China or nationals of His Majesty as the case may be. In this provision the expression “nationals of His Majesty’s” includes companies incorporated under the law of any of His Majesty’s territories and the expression “nationals of China” includes companies incorporated under Chinese law. The right to carry on commerce shall only be restricted in time of war and national emergency and then shall only be subjected to such restrictions as are necessary in the interests of national security and which are imposed upon all foreigners.’ His Majesty’s Government in the United Kingdom attach much importance to this addition providing for national treatment in the administration of justice, taxation and the carrying on of commerce.

Article VII.

1. His Majesty’s Government would suggest the insertion of the word ‘navigation’ after the words ‘friendship, commerce’ and before the words ‘and consular rights’.

His Majesty’s Government attach great importance to ensuring that pending the conclusion of comprehensive modern treaties of commerce, etc., at a later date all those provisions of the existing treaties which are not inconsistent with the present jurisdiction treaty shall remain in force. This is doubtless the intention of article VII of the American draft, but in order that there should be no room for ambiguity on the subject, it is hoped that the United States Government may be able to agree to the amendment of the second paragraph of that article on the following lines:

‘Pending the conclusion of a comprehensive treaty of the character referred to in the preceding paragraph, all provisions of the existing treaties, conventions or agreements between the high contracting parties shall remain in force insofar as they are not inconsistent with the present treaty. If any questions affecting the rights in the territory of the Republic of China of the nationals of (His Majesty) (including corporations or associations) should arise in future and if these questions are not covered by the previous treaties and agreements

above mentioned which are not inconsistent with this treaty, such questions 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.'

2. The following are minor points mainly of a drafting nature:

In Article I of the American draft treaty His Majesty's Government suggest that the words 'which shall be exercised' should be inserted in the last sentence after the words 'Republic of China' and before the words 'in accordance with.' The object of this amendment is to obtain an undertaking from China that they will exercise their jurisdiction in accordance with the principles of international law and practice.

Article II. His Majesty's Government in the United Kingdom have no comments on the text of the article. But they would be glad to learn whether it is the intention of the United States Government to preserve any subsequent agreements relating to the disposal of the American share of the Boxer Indemnity.

Article VI. His Majesty's Government would suggest to the United States Government the desirability of including in their draft of article VI express provisions giving consular officers the right to visit within the limits of their districts any of their nationals who are in prison, under arrest, or awaiting trial and stating that communications from nationals in prison to their consular officers will be forwarded to them by the local authorities.

It will be necessary in the British treaty to make the appropriate definitions of the territories and the nationals of His Majesty to which the treaty will apply. Further, it will be necessary to cover the rendition of the British concessions at Tientsin and Canton.

3. In addition to proposals already made as regards the text of the treaty itself, His Majesty's Government would suggest that the Chinese Government should be invited to give certain assurances regarding the treatment of our nationals after extraterritoriality has been abolished. These it is hoped would be of a nature to facilitate our everyday relations with the Chinese Government in jurisdictional matters and would help to avoid misunderstandings and disputes. A suggested draft of such a note from the Chinese Government is as follows:

'With reference to the treaty concluded between us today, I have the honor to declare on behalf of my Government that they will accord to nationals of His Majesty in China the following treatment in regard to judicial and other matters, namely,

(1) Except in cases where considerations of national security or military necessity in time of war are involved, nationals of His Majesty in China will be subject to the jurisdiction of no other tribunals than the established courts of justice (Fa Yuan) and, in case of police

offences, to that of the police authorities in accordance with the duly promulgated laws, ordinances and regulations of China.

(2) Nationals of His Majesty under detention or sentence of imprisonment will only be detained or imprisoned in such prisons as are specified by order of the Ministry of Justice for the detention of foreign prisoners or in other premises suitable for their detention or imprisonment.

(3) In all matters of personal status, among which are included all questions relating to marriage, conjugal rights, divorce, judicial separation, dower, paternity, affiliation, adoption, capacity, majority, guardianship, trusteeship and interdiction, and in all matters relating to succession whether by will or on intestacy, and to the distribution and winding up of estates and family law in general, the law of the territory within the British dominions from which the party concerned originates will be applied by the Chinese courts as regards nationals of His Majesty in China.'

The British note in reply would give similar assurances to the Chinese Government regarding the treatment of their nationals in the territories of His Majesty to which the treaty applies." End proposed amendments and suggestions.

WINANT

793.003/940 : Telegram

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

WASHINGTON, October 16, 1942.

964. Reference Embassy's telegram 1160, October 12. Please transmit the following message from the President to Generalissimo Chiang Kai-shek:

"I deeply appreciate your warm and generous message regarding the step which the Government of the United States has taken in reference to extraterritoriality. That step is one which this Government and I personally have long wished to take, and it is especially gratifying that it could be synchronized with so auspicious a day as China's national anniversary when your country celebrates the founding of the Republic and honors the principles of freedom. We greatly admire the telling blows for freedom which China has struck against the aggressor in Asia, and we are wholly confident that our two countries in association with our other comrades-in-arms will move forward together to complete victory. Franklin D. Roosevelt"

WELLES

793.003/946 : Telegram

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

WASHINGTON, October 17, 1942—5 p. m.

5129. Your 5752, October 15, 1 a. m. We are glad to have the proposed amendments and suggestions of the British Government and

we appreciate the expedition and the spirit of helpful cooperation with which those suggestions have been presented.

The Department's comments with regard to the British amendments and suggestions, following the order set forth in your telegram under reference, are as follows:

(a) Article III. With regard to the suggested change at the end of the second paragraph, we are agreeable to the change.

With regard to the suggestion that there be added to Article III an additional sentence, we are not sure that we understand precisely what the British Government has in mind and would therefore appreciate clarification. Does the British Government have in mind by the suggested additional sentence only assets which are presently in being or does it have in mind such assets plus a continuing obligation to apply future revenues to meet such obligations and liabilities, or does the British Government have in mind providing simply as a principle that the rights which the holders of the obligations now have to appropriate process of enforcement would continue to be recognized under Chinese law? In this connection, the Department observes that in drafting we endeavored to phrase Article III, as other articles of the draft treaty, in broad general terms. Article III as drafted by us envisages possible future discussion of certain types of questions which may after this treaty is concluded arise.

(b) Article IV. We do not perceive the relevancy to the subject matter of the article of the reference to confiscatory action during Japanese occupation. In our draft we have endeavored to provide for regulation of the relations between American nationals and the Chinese Government in regard to property rights as affected by relinquishment of extraterritorial jurisdiction. We have not endeavored to deal with questions arising as a result of Japanese occupation which in our view are in a wholly different category from the subject matter of this treaty. On the basis of our understanding of the suggested British amendment we therefore feel it advisable to retain the original language of this paragraph.

(c) Article V. The suggested British addition covers matters which from our point of view might more appropriately be taken care of in the comprehensive treaty which we envisage negotiating with China at some subsequent time. It might also in the form proposed raise for us difficult questions relating to Federal and State jurisdictions. With regard to the last sentence of the suggested British addition, the American Ambassador at Chungking has pointed out that mention of a right to impose restrictions on the basis of war and national emergencies is open to the danger that the Chinese Government might interpret such a provision much more broadly than other governments

are likely to do. We are therefore reluctant to include in our draft the British suggestion. We are, however, continuing our study of the British Government's suggestion under reference. The subject matter of the suggestion might of course be brought up by any of the interested parties, including the Chinese, after the drafts of treaties have been presented to the Chinese Government.

(*d*) Article VII. We accept the suggested addition of the word "navigation".

The British interpretation of the intention of Article VII of the American draft is correct. While we perceive no strong objection to the rephrasing as a whole suggested by the British Government, we deliberately drafted the second paragraph of this article with a view to avoiding emphasis on provisions of existing treaties, conventions, or agreements, in as much as those treaties, conventions, and agreements are associated in the popular mind and in the mind of the Chinese Government with the concept of "unequal treaties". We would therefore hope that upon reconsideration the British Government would adopt our original phrasing.

We do not understand why the British Government in its rephrasing omits reference to rights of this Government and of the British Government respectively. We believe it advisable to retain mention of rights of governments.

We like the suggested British substitution in the body of the paragraph under reference for the words "as a consequence of the relinquishment of extraterritorial rights" of the words "in future" and are making this change.

(*e*) Article I. With regard to the suggested insertion of the words "which shall be exercised", we deliberately drafted this statement in general terms. We feel that the insertion of the suggested words would be likely to offend Chinese susceptibilities and to cause the Chinese Government to ask that this sentence stop with the words "the Republic of China". We therefore do not favor the insertion of the words suggested.

(*f*) Article II. It is not the intention of the Government of the United States to preserve any subsequent agreements relating to the disposal of the American share of the Boxer Indemnity.

(*g*) Article VI. It seems to us that the points made in the first paragraph of the British suggestions are covered substantially in our draft. In addition, we would find it difficult to omit the words "upon notification to the appropriate authorities" in as much as we have included those words in recent treaties with other countries. However, in the light of the British suggestions we are amending our draft as follows:

(1) In the second sentence of the first paragraph of our draft we are altering the second and third clauses to read as follows: "they

shall be informed immediately whenever nationals of their country are under detention or arrest or in prison or are awaiting trial in their consular districts and they shall, upon notification to the appropriate authorities, be permitted to visit any such nationals; and, in general, the consular officers of each country shall be accorded, *et cetera*".

(2) After the last sentence of the article and as part of the last paragraph we are adding a sentence "Communications to their consular officers from nationals of each country who are under detention or arrest or in prison or are awaiting trial in the territory of the other country shall be forwarded to such consular officers by the local authorities".

(h) (1) With regard to paragraphs numbered 1 and 2 in the suggested note from the Chinese Government, the Department feels that the Chinese Government would be likely, on the ground that the making thereof would be a limitation on Chinese sovereignty, to object to a suggestion that it make such statements. The adoption of such a suggestion would also serve to continue in existence in agreements between China and foreign countries provisions for the making of distinctions between the treatment accorded in China to Chinese nationals and to foreign nationals. We are inclined to believe that the Chinese Government will voluntarily and perhaps by definite regulation or stipulation of law accord treatment along the lines suggested in these two paragraphs. We therefore feel strongly that it would be inadvisable to suggest that the Chinese Government be asked for a note covering the points raised in these two paragraphs. We would perceive no objection, should the British Government wish to do so, to the British Government's informally raising for the consideration and decision of the Chinese Government the question whether the Chinese Government might not wish to take whatever steps it might consider appropriate to provide for treatment of foreigners in China along the lines set forth in the first two paragraphs of the proposed Chinese note. We should be prepared, in case the British Government considered that such a step on our part would be useful, to offer similar informal comment to the Chinese. In so doing we would wish to emphasize that the whole matter is one for the Chinese Government's consideration and sole determination.

(2) With regard to paragraph numbered 3 in the suggested note from the Chinese Government, it is not in accordance with the treaty practice of the United States to include such a provision in its treaties and an attempt to do so might raise difficult questions of authority and policy in the field of Federal and State relations in the United States. In as much as we wish to keep this treaty as far as feasible on broad general lines, to include only matters not likely to create difficulties in either the United States or China, and to leave detailed arrange-

ments for the subsequent comprehensive treaty which is envisaged, we for our part would not wish to raise this matter for inclusion in this treaty or accompanying documents. It might be feasible to raise the question informally with the Chinese Government along the lines suggested with regard to paragraphs numbered 1 and 2 of the proposed Chinese note, but this Government would wish to reserve decision as to whether it would desire to specify all the points mentioned in paragraph numbered 3. Should the British Government, however, wish to endeavor to exchange notes with the Chinese Government along the lines set forth in paragraph numbered 3, this Government would perceive no objection, except that such procedure would detract from the advantage which may be expected to accrue from having the two treaties as nearly as possible identical.

We realize that the British Government will include in its treaty appropriate definitions of the British territories and nationals to which the treaty will apply and provision for the rendition of the British Concessions at Tientsin and Canton; also, that the amendments and suggestions offered by the British Government are provisional in the sense that the British Government has not as yet received the comments of the Governments of the Dominions and of India.

In as much as we wish to present a draft treaty to the Chinese Government for its consideration at the earliest feasible moment and as we wish to synchronize our approach as nearly as we can with the British approach, the Department suggests a procedure as follows: We would hand the Chinese Ambassador here our draft treaty perhaps next Wednesday or Thursday and, if the British draft should not be completed by that time due to non-receipt of comments from some of the Dominions or India, we suggest that the British Foreign Office might inform the Chinese Chargé in London on the same day as our action is taken that the British Government is in general accord with the proposals which appear in the draft which the United States Government is presenting to the Chinese Ambassador in Washington but finds it necessary to give consideration to certain points not covered in that draft, including suggestions which may be offered by the Governments of the Dominions or of India.

The Department would appreciate receiving as early as possible (1) the British Government's views on this suggested procedure, (2) the clarification requested in regard to the sentence which the British propose be added to Article III, and (3) such further comment as the British Government may wish to offer.

WELLES

793.003/950 : Telegram

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

LONDON, October 17, 1942—6 p. m.

[Received October 17—3:05 p. m.]

5823. [My] 5752, October 15, 1 a. m. With reference to amended version which Foreign Office suggested for the second paragraph of article VII of the draft treaty with China on extraterritoriality, Foreign Office writes today that it seems to be in line with the thought of the authors of the American draft, and to make the Foreign Office intention clearer, if it inserts the words "abrogated by or" between "insofar as they are not" and "inconsistent" in the first sentence of the British suggested amended version. It mentions that the same addition would also be required in the succeeding sentence.

WINANT

793.003/950 : Telegram

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

WASHINGTON, October 19, 1942—5 p. m.

5146. Department's 4819, October 3, 11 p. m.

1. Your 5823, October 17, 6 p. m. We will make the suggested change in the appropriate place in our draft of the second paragraph of Article VII as communicated to you in the Department's 4819, October 3, 11 p. m. In this connection, please refer also to paragraph (d) of the Department's 5129, October 17, 5 p. m.

2. We propose to rephrase the second paragraph of Article II of the draft treaty as follows:

"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 Diplomatic Quarter at Peiping, including the official assets and the official obligations of the Diplomatic Quarter, it being mutually understood that the Government of the Republic of China in taking over administration and control of the Diplomatic Quarter will make provision for the assumption and discharge of the official obligations and liabilities of the Diplomatic Quarter and for the recognition and protection of all legitimate rights therein."

3. We also propose to rephrase similarly the second paragraph of Article III.

HULL

793.003/951a : Telegram

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

WASHINGTON, October 19, 1942—6 p. m.

5147. Department's 4819, October 3, 11 p. m. We propose to make the following minor drafting changes in the text of the draft treaty:

1. Article I, first sentence. Insert the word "hereby" before the word "abrogated".

2. Article IV, first paragraph. Change "existing rights in respect of and titles" to the words "existing rights in respect of or as to existing titles"; delete the word "otherwise"; and after "such existing rights" and also after "such rights" insert the words "or titles".

3. Article IV, second paragraph. Insert before "leases in perpetuity" the word "existing". Change "gratuitously" to the words "without charges of any sort"; change "such leaseholders" to the words "the holders of such leases or other documentary evidence".

4. Article IV, third paragraph. Change "as land transfer fees" to the words "of fees in connection with land transfers".

HULL

793.003/952 : Telegram

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

LONDON, October 21, 1942—1 p. m.

[Received October 21—9 a. m.]

5875. In forwarding to you the "Memorandum giving the views of His Majesty's Government in the United Kingdom on the observations of the United States Government dated 18th October regarding the Draft Treaty with China on Extraterritoriality" (Embassy's telegram No. 5876 October 21, 2 p. m.⁵⁵), I was asked by Mr. Eden to say that if the handing of the draft treaty to the Chinese Ambassador in Washington could be postponed until Saturday it would be a great help to him in dealing with the Dominions and India. If this is impossible, he will accept the procedure as laid down in your 5129, October 17, 5 p. m.

I wanted you to know how hard he has tried to synchronize the timing and also to keep the British text in line with our own.

It has been a great pleasure for me personally to have a small part in these negotiations. The promptness of the Department's replies and the drafting of the text have been of great help here in the negotiations.

WINANT

⁵⁵ *Infra.*

793.003/954

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

LONDON, October 21, 1942—2 p. m.

[Received October 21—1:45 p. m.]

5876. My 5875, October 21, 1 p. m. I have received from Mr. Eden the following communication entitled "Memorandum giving the views of His Majesty's Government in the United Kingdom on the observations of the United States Government dated 18 October regarding the draft treaty with China on extraterritoriality" (Department's 5129, October 17, 5 p. m.).

Begin memorandum.

(A) Article III. The additional sentence proposed by His Majesty's Government to article III only covers existing assets already vested in trustees as security for obligations and liabilities. Trustees have at present the right in case of default upon obligations to take over the assets (for instance, the municipal waterworks at Tientsin; in Shanghai similar arrangements have been made) and apply the revenues to payments due upon the obligations. His Majesty's Government's desire is that these rights of the trustees should be left unchanged. In the light of this explanation we hope the United States Government will find it possible to adopt this sentence.

(B) Article IV. In the opinion of His Majesty's Government the effect of the first paragraph of article IV of the American draft is to render all existing rights and titles to real property indefeasible except upon proof of fraud. Consequently a title acquired as the result of Japanese confiscation would be made indefeasible and it was for this reason that the addition was proposed by His Majesty's Government. In any case there seems no reason to suppose that the Chinese Government would object to this addition and His Majesty's Government would propose to retain it but hope that on reconsideration the United States Government may also see its utility.

(C) Article V. In deference to the views expressed by the United States Government, the sentence 'the right to carry on commerce shall only be restricted in time of war and national emergency and then shall only be restricted to such restrictions as are necessary in the interests of national security and which are imposed upon all foreigners' is being deleted. On the other hand, His Majesty's Government still attach great importance to retaining the sentence beginning 'in all legal proceedings' et cetera. They note that the United States Government are continuing their study of this suggestion and suggest that on this point it would be sufficient if both the American and British draft treaties contained some sentence along these lines

and that it would not be necessary that the sentences in the two drafts should be identical. On this point it is possible that a sentence which suits the position in the United Kingdom might not exactly suit the position in the United States, and vice versa.

(D) Article VII. His Majesty's Government note with pleasure that the United States Government have accepted the addition of the word 'navigation' and also the phrase 'abrogated by or inconsistent with' and the substitution of the words 'in future' for the previous phrase. For their part His Majesty's Government will now be prepared to adopt the American draft of this article with these three changes.

(E) Article I. In view of the United States Government's observations, the proposed amendment is dropped.

(G) Article VI. In view of the American acceptance of the two suggestions which His Majesty's Government have made, there is no difference of substance between us with regard to this article. The text of the article as it is proposed to put it in the British treaty reads as follows:

'Article VI. The consular officers of one high contracting party, duly provided with exequaturs, shall be permitted to reside in those ports, places and cities of the territories of the other high contracting party which are or may be open to consular officers of any foreign power. The consular officers of one high contracting party shall have the right within their districts in the territories of the other high contracting party to interview, communicate with and to advise the nationals and companies of the former high contracting party, and the nationals and companies of one high contracting party within the territory of the other high contracting party shall have the right at all times to communicate with the consular officers of the former high contracting party. The consular officers of one high contracting party in the territories of the other shall be informed immediately by the appropriate local authorities when any of their nationals are arrested or detained in their consular districts by the local authorities. They shall have the right to visit within the limits of their districts any of their nationals who are under arrest or awaiting trial in prison. Communications from the nationals of one high contracting party in prison in the territories of the other high contracting party addressed to the consular officers of the former high contracting party will be forwarded to the appropriate consular officer by the local authorities. Consular officers of one high contracting party shall be accorded in the territories of the other high contracting party the rights, privileges and immunities enjoyed by consular officers under modern international usage.'

In this connection it ought perhaps to be explained that according to the practice in the United Kingdom it is not possible to give China the right by treaty (which would have to be extended also to other countries later) for her consuls to visit Chinese nationals who have

been convicted and are serving their sentences of imprisonment. It is only possible to give this right of visit to prisoners who are under arrest or awaiting trial in prison.

(H) His Majesty's Government have noted the views of the United States Government as regards the proposed note. They will therefore take up these points with the Chinese Government informally in the first place and they accept with pleasure the American offer also to raise these points informally with the Chinese.

The amendments to the United States draft transmitted in Mr. Winant's two letters of the 20 October are acceptable to His Majesty's Government and will be adopted by them." End memorandum.

(See Department's 5146, October 19, 5 p. m. and 5147, October 19, 6 p. m.)

WINANT

793.003/952 : Telegram

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

WASHINGTON, October 21, 1942—10 p. m.

5200. Your 5875, October 21, 1 p. m., and 5876, October 21, 2 p. m.

1. With regard to (A), Article III, we are glad to have the clarifying statement of the British Government relating to the additional sentence proposed by the British Government. Upon further consideration, it seems to us that it would not be wise to add this sentence. We believe that there is some likelihood that the Chinese Government will raise objection to the second paragraph of the article as it stands without the additional sentence and that the inclusion of such an addition would substantially increase that likelihood. Moreover, we feel that the assumption of obligation by the Chinese Government itself is sufficient safeguard. For these reasons, as well as for the reason previously given that it seems advisable to us to avoid too great particularization and to keep the treaty to broad general terms, we regret that we do not feel that we can adopt the proposed additional sentence.

2. With regard to (B), Article IV, it is still not clear to us exactly what the British Government has in mind by its proposed addition. This Government has no intention of supporting an American national in any claim regarding real property deriving from any illegal process and therefore regards the British proposed addition, in so far as we understand it, as not necessary. In so far as this proposal envisages protection of valid British claims against confiscation under the aegis of Japanese occupation, we think that the article as drafted without the addition takes care of such a matter. We doubt whether the

Chinese Government would understand the exact meaning of the proposed addition and we therefore anticipate that its inclusion would be likely to result in extended discussion and consequent delay. We therefore are not adopting this suggestion, although we do not perceive any strong objection to the British Government's including the addition in its draft if it, after consideration of our comment, regards such addition as desirable.

3. With regard to (C), Article V, we are glad to note that the British Government is deleting the last sentence of the addition previously proposed by the British Government. As previously stated, we have continued our study of the British Government's suggestion. This study confirms us in the opinion that from our point of view the subject matter of the first sentence suggested by the British might more appropriately be taken care of in the comprehensive treaty which we envisage negotiating with China at some subsequent time and might also in the form proposed raise for us difficult questions relating to Federal and State jurisdictions. We therefore are not including in our draft this proposed British addition.

4. With regard to (D), Article VII, and (E), Article I, there appears to be agreement.

5. With regard to (G), Article VI, we note that there is little difference of substance between the American draft and the British draft. In as much as the American draft conforms more nearly to points already embodied in existing American treaties, we are retaining our draft. We assume that the British Government will use its draft. We would point out for the consideration of the British Government that the British draft does not accord a right of visit to nationals under detention.

6. With regard to (H), relating to the proposed note from the Chinese Government, we do not understand the British Government's statement that they will take up the substance of that note with the Chinese Government informally "in the first-place". While this Government is prepared to suggest to the Chinese Government informally that the Chinese Government may care, of its own initiative and as a unilateral act on its part and in whatever way the Chinese Government wishes, to take whatever steps it might consider appropriate to provide for treatment of foreigners in China along the lines set forth in the first two paragraphs of the proposed note, and perhaps to provide for some of the matters contained in the third paragraph, we continue to feel strongly that it would be inadvisable to suggest, either formally or informally, to the Chinese Government that it give a note covering the points mentioned. Before we can decide to mention the matter informally to the Chinese Government, we should like

to be sure that we understand the British Government's position in this respect.

7. We note that the amendments to this Government's draft communicated in the Department's 5146, October 19, 5 p. m., and 5147, October 19, 6 p. m., are acceptable to and will be adopted by the British Government.

8. We understand that the Government of the United States and the British Government are now in substantial agreement and know what each Government intends to embody in the draft treaty which each will present to the Chinese Government for that Government's consideration. We realize, as stated by the British Government, that phraseology which suits the position in the United States might not exactly suit the position in the United Kingdom, and vice versa. On this point we would observe, however, that there are obvious and definite advantages to the British treaty and the American treaty being as nearly identical as circumstances permit. We also venture to repeat our view that it is desirable that these treaties be drafted along broad general lines and that they avoid particularization which can appropriately be left to the negotiation later of comprehensive treaties and which, if included in the present drafts of proposed treaties, might cause the Chinese to present detailed desiderata of their own and thus delay the conclusion of the treaties and dissipate the wholesome and beneficial psychological atmosphere which has thus far resulted and which we earnestly hope may be continued. We should greatly appreciate it if the British Government would give further thought to these basic considerations with special reference to the additions it has proposed to Article V and to Article III.

9. In response to Mr. Eden's suggestion we shall postpone the presentation of the text of the draft treaty to the Chinese Ambassador until Saturday morning, October 24. In so doing we shall ask the Chinese Ambassador to regard the text as confidential until agreement thereon has been reached between this Government and the Chinese Government. We shall inform the press after the Chinese Ambassador calls that we have given the Chinese Ambassador a draft treaty for consideration of his Government. We suggest that the British Government may care to follow a similar procedure.

10. We appreciate the understanding attitude and expedition which the British Government has shown in regard to all aspects of this question and I ask that you so inform Mr. Eden.

11. I am grateful to you and the Embassy for your and their most effective cooperation.

HULL

793.003/943 Suppl. : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, October 23, 1942—noon.

979. Department's 946, October 10, 2 p. m.⁵⁶ It has been arranged that I shall hand to the Chinese Ambassador here at 10 o'clock Saturday morning, October 24, the text of a draft treaty. I shall ask the Chinese Ambassador to regard the text as confidential until agreement thereon has been reached between this Government and the Chinese Government. After the Chinese Ambassador has called and received the text we shall inform the press that we have given the Chinese Ambassador a draft treaty for consideration of his Government.

You may inform the Chinese Government in confidence of our proposed action.

Our draft text which will be handed to the Chinese Ambassador here is along the lines indicated in the Department's telegram under reference. We are not at this time communicating the text to you because of obvious difficulties in connection with its transmission.

[Here follows report of discussions with the British Government regarding parallel action.]

HULL

793.003/959 : Telegram

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

LONDON, October 23, 1942—4 p. m.

[Received 7:40 p. m.]

5923. Department's 5199, October 21, 9 p. m.⁵⁷ and 5200, October 21, 10 p. m. I have just received from Mr. Eden a letter dated October 23 [with] enclosure entitled "Memorandum giving the views of His Majesty's Government in the United Kingdom on the observations of the United States Government dated 22 October regarding the draft treaty with China on extraterritoriality". Mr. Eden's letter reads in part as follows:

"I am grateful for the postponement by 2 days of the communication which the United States Government proposes to make to the Chinese Ambassador in Washington. Although we shall not ourselves be able to communicate our draft treaty so early as tomorrow, the postponement will help toward bringing our respective dates of communication nearer together.

⁵⁶ See footnote 41, p. 298.

⁵⁷ Not printed.

"I enclose herein a further memorandum in reply to the message from the Department of State contained in your letter. As you will see, it is our intention to bring our own draft treaty and procedure very closely into conformity with yours. I would, however, draw your attention once again to the important point of principle which arises on article V of your draft treaty (see point C in the accompanying memorandum).

"I am aware that the Chinese Government might see difficulty in granting full national treatment especially in the matter of industrial enterprise, but as I told you on the telephone last night, we feel strongly that if we do not try to obtain national treatment in the matters mentioned in article V from the Chinese Government now it is highly improbable that we shall be able to persuade them to grant it at a later stage when we come to negotiate our comprehensive and detailed treaties. We should have been glad therefore if the United States Government had seen its way to join us in endeavoring to obtain for our commerce ordinary treatment in accordance with international practice such as we are quite prepared to grant to the Chinese ourselves and which carries with it no stigma or vestige of the former inequality."

Mr. Eden further states that he would be grateful if the Department even at this late hour would either reconsider the suggestions the British have made or make some suggestion of its own which would cover in the present treaties the point the British have in mind. He mentions that his reason for being so insistent in this matter is that, as we know, the British have a larger commercial interest at stake in China than most other countries. He points out in conclusion that the last paragraph of the appended memorandum provides an answer to the inquiry contained in Department's 5208, October 22, 1 p. m.⁵⁸

(Begin memorandum) "A. Article III. In deference to the views of the United States Government, His Majesty's Government in the United Kingdom will delete from their draft the additional sentence.

B. Article IV. H M G note that while the United States Government do not propose to adopt the addition suggested by H M G, they have perceived no objection to H M G's including the addition in their own draft. H M G do propose to retain this addition for this reason. Paragraph 1 of article IV of the American draft treaty renders all existing titles to real property indefeasible except upon proof of fraud. The expression 'existing titles' must mean all titles existing at the date the treaty comes into force. It will therefore cover all titles issued by the Chinese land offices up to that date, including therefore titles issued by the puppet offices which have been functioning in the occupied territory since 1937. Some of the titles

⁵⁸ Not printed; it made inquiry as to whether the British Government intended to furnish China with the draft text on October 24 or merely to inform the Chinese Chargé in London of British substantial accord with the American draft (793.003/959a).

issued by the puppet offices should be recognized but some of them, especially those issued in more recent times, may have been acquired as the result of Japanese confiscation. But as we read the American draft, all these titles will be rendered indefeasible except upon proof of fraud.

C. Article V. H M G in the United Kingdom note that the United States Government do not intend to include in their draft treaty any sentence corresponding to the British suggested sentence beginning 'in all legal proceedings et cetera'. And that they consider this matter might be more appropriately taken care of in the future comprehensive treaty referred to in article VII. Unless the United States Government change their view, H M G will also delete it from theirs. They wish, however, to express their opinion that unless national treatment in matters of carrying on business et cetera is secured in the present treaty it is highly improbable that it will be possible to secure it in the future comprehensive treaty and that a mere right to carry on business, unless national treatment as regards the conditions of its carrying on is secured, may be of little practical value.

G. Article VI. It would appear that one sentence from the British draft of article VI must have been omitted in the text telegraphed to Washington. The text of this article transmitted in the memorandum of the 20th October contained the sentence 'they (i. e. consular officers) shall have the right to visit within the limits of their districts any of their nationals who are under arrest or awaiting trial in prison'.

H. H M G's statement that they would take up the substance of the proposed draft note with the Chinese Government informally in the first place meant that they would sound the Chinese informally and ascertain the Chinese reaction. If the Chinese reaction was more favourable to the Chinese giving a statement on their own initiative and as a unilateral act, H M G would willingly accept it. If on the other hand the Chinese seemed to prefer something on the basis of reciprocity then it would appear that the course of reciprocal assurances by exchange of notes would be the best. If finally the Chinese reaction was an absolute refusal to enter into any commitment in this realm at all then H M G would be obliged to accept this refusal.

It will not be possible to obtain the agreement of all the Empire Governments to the final text of the British draft treaty by the morning of 24th October. H M G therefore propose to inform the Chinese Chargé d'Affaires in London and the Chinese Government that they are awaiting the views of the Dominions and India but that they expect their draft treaty to follow closely the text of the American draft with the addition of a clause covering the rendition of the British concessions at Tientsin and Canton." (End memorandum)

WINANT

793.003/10-2442

Memorandum of Conversation, by the Chief of the Division of Far Eastern Affairs (Hamilton)

[WASHINGTON,] October 24, 1942.

Participants: The Secretary of State, and
The Chinese Ambassador, Dr. Wei Tao-ming
Present: Mr. Liu Chieh, Minister-Counselor of the Chinese
Embassy
Mr. Hackworth
Mr. Hamilton

The Chinese Ambassador called this morning at the Secretary's request. The Ambassador was accompanied by the Minister-Counselor of the Chinese Embassy, Mr. Liu Chieh.

The Secretary first expressed his regret at having been detained at his apartment by an unexpected matter. The Secretary then said that we had been working on the matter of a draft of an extraterritoriality treaty which we might give the Chinese Government for its consideration and that in preparing a draft we had proceeded along broad general lines in the thought that such a procedure would be the most satisfactory to both our Governments. The Secretary continued that we had completed a draft, which he thereupon handed to the Ambassador.⁵⁹ The Secretary added that the step which we were taking was one which, as the Ambassador knew, we had long wished to take and that it represented a practical manifestation of this country's foreign policy. The Secretary said that he was of course personally gratified at the step.

The Secretary said that we had in mind informing the press in response to inquiries that the Secretary had handed the Ambassador a draft treaty for the consideration of the Chinese Government.

The Secretary informed the Ambassador that we were of course not making public the text of the draft treaty and that we assumed that the two Governments would regard the text as strictly confidential pending conclusion of discussions. The Ambassador indicated his concurrence.

The Secretary inquired whether there were any points which the Ambassador wished to raise. The Ambassador said that he would forward the text to his Government and that they would first like to read and examine the text. The Secretary said that that of course was natural and that we would be here available for discussion in case any question should occur to the Chinese Government.

The Ambassador commented smilingly that it was hoped that this whole matter could be disposed of rapidly.

⁵⁹ *Infra.*

The interview was friendly and cordial, and after a few moments the Ambassador and Mr. Liu departed.

M[AXWELL] M. H[AMILTON]

793.003/10-2442

*The Department of State to the Chinese Embassy*⁶⁰

DRAFT TREATY WITH REGARD TO RELATIONS BETWEEN THE UNITED STATES OF AMERICA AND CHINA

The United States of America and the Republic of China, desirous of defining more clearly the general relations between the two countries, have resolved to conclude a treaty for that purpose and 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:

ARTICLE I

All those provisions of treaties or agreements in force between the United States of America and the Republic of China which authorize the Government of the United States of America or its representatives to exercise jurisdiction over nationals of the United States of America in the territory of the Republic of China are hereby abrogated. Nationals of the United States of America in such territory shall be subject to the jurisdiction of the Government of the Republic of China in accordance with the principles of international law and practice.

ARTICLE II

The Government of the United States of America considers that the Final Protocol concluded at Peking on September 7, 1901, between the Chinese Government and other governments, including the Government of the United States of America, should be terminated and agrees that the rights accorded to the Government of the United States of America under that Protocol and under agreements supplementary thereto shall cease.

The Government of the United States of America will cooperate with the Government of the Republic of China for the reaching of

⁶⁰ Handed to the Chinese Ambassador (Wei) by the Secretary of State on October 24, 1942.

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 Diplomatic Quarter at Peiping, including the official assets and the official obligations of the Diplomatic Quarter, it being mutually understood that the Government of the Republic of China in taking over administration and control of the Diplomatic Quarter will make provision for the assumption and discharge of the official obligations and liabilities of the Diplomatic Quarter and for the recognition and protection of all legitimate rights therein.

The Government of the Republic of China hereby accords to the Government of the United States of America a continued right to use for official purposes the land which has been allocated to the Government of the United States of America in the Diplomatic Quarter in Peiping, on parts of which are located buildings belonging to the Government of the United States of America.

ARTICLE III

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 assets and the official obligations of those Settlements, it being mutually understood that the Government of the Republic in 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

In order to obviate any questions as to existing rights in respect of or as to existing titles to real property in territory of the Republic of China possessed by nationals (including corporations or associations), or by the Government, of the United States of America, particularly questions which might arise from the abrogation of the provisions of treaties or agreements as stipulated in Article I, it is agreed that such existing rights or titles shall be indefeasible and shall not be ques-

tioned upon any ground except upon proof, established through due process of law, of fraud in the acquisition of such rights or titles.

It is also agreed that if it should be the desire of the Government of the Republic of China to replace, by new deeds of ownership, existing leases in perpetuity or other documentary evidence relating to real property held by nationals, or by the Government, of the United States of America, the replacement shall be made by the Chinese authorities without charges of any sort and the new deeds of ownership shall fully protect the holders of such leases or other documentary evidence and their legal heirs and assigns without diminution of their prior rights and interests, including the right of alienation.

It is further agreed that nationals or the Government of the United States of America shall not be required or asked by the Chinese authorities to make any payments of fees in connection with land transfers for or with relation to any period prior to the effective date of this treaty.

ARTICLE V

The Government of the United States of America having long accorded rights to nationals of the Republic of China within the territory of the United States of America to travel, reside and carry on trade throughout the whole extent of that territory, the Government of the Republic of China agrees to accord similar rights to nationals of the United States of America within the territory of the Republic of China. Each of the two Governments will endeavor to have accorded in territory under its jurisdiction to nationals of the other country, in regard to all legal proceedings and to matters relating to the administration of justice and to the levying of taxes or requirements in connection therewith and to the carrying on of commerce, treatment not less favorable than that accorded to its own nationals.

ARTICLE VI

The Government of the United States of America and the Government of the Republic of China mutually agree that the consular officers of each country, duly provided with exequaturs, shall be permitted to reside in those ports, places and cities of the other country which are, or may be, open to consular officers of any foreign country. The consular officers of each country shall have the right to interview, to communicate with, and to advise nationals of their country within their consular districts; they shall be informed immediately whenever nationals of their country are under detention or arrest or in prison or are awaiting trial in their consular districts and they shall, upon notification to the appropriate authorities, be permitted to visit

any such nationals; and, in general, the consular officers of each country shall be accorded the rights, privileges, and immunities enjoyed by consular officers under modern international usage.

It is likewise agreed that the nationals of each country, in the territory of the other country, shall have the right at all times to communicate with the consular officers of their country. Communications to their consular officers from nationals of each country who are under detention or arrest or in prison or are awaiting trial in the territory of the other country shall be forwarded to such consular officers by the local authorities.

ARTICLE VII

The Government of the United States of America and the Government of the Republic of China mutually agree that they will enter into negotiations for the conclusion of a comprehensive modern treaty of friendship, commerce, navigation and consular rights, 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 in which they are now engaged. The treaty to be thus negotiated will be based upon the principles of international law and practice as reflected in modern international procedures and in the modern treaties which the Government of the United States of America and the Government of the Republic of China respectively have in recent years concluded with other governments.

Pending the conclusion of a comprehensive treaty of the character referred to in the preceding paragraph, if any questions affecting the rights in territory of the Republic of China of nationals (including corporations or associations), or of the Government, of the United States of America should arise in future and if these questions are not covered by the present treaty, or by the provisions of existing treaties, conventions, or agreements between the Government of the United States of America and the Government of the Republic of China not abrogated by or inconsistent with this treaty, such questions 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.

ARTICLE VIII

The present treaty shall come into force on the day of the exchange of ratifications.

The present treaty shall be ratified, and the ratifications shall be exchanged at Washington as soon as possible.

Signed and sealed in duplicate at Washington this day of nineteen hundred and forty-two.

793.003/959 : Telegram

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

WASHINGTON, October 24, 1942—11 a. m.

5271. Your 5923, October 23, 4 p. m. In the light of Mr. Eden's views we have added to Article V a sentence as follows: "Each of the two Governments will endeavor to have accorded in territory under its jurisdiction to nationals of the other country, in regard to all legal proceedings and to matters relating to the administration of justice and to the levying of taxes or requirements in connection therewith and to the carrying on of commerce, treatment not less favorable than that accorded to its own nationals."

The draft text as amended was handed by me to the Chinese Ambassador, in accordance with prior arrangement, this morning at 10:30.

HULL

793.003/988

*Memorandum of Conversation, by the Assistant Chief of the Division
of Far Eastern Affairs (Atcheson)*⁶¹

[WASHINGTON,] October 26, 1942.

Participants: Mr. Liu Chieh, Minister-Counselor of the Chinese Embassy
Mr. Maxwell M. Hamilton
Mr. George Atcheson, Jr.

Mr. Liu called on Mr. Hamilton this afternoon by appointment. He stated that the Chinese Ambassador, who was leaving town for a few days, had asked him to call with a view to obtaining clarification of one or two points in regard to the draft treaty which the Secretary had handed to the Ambassador on October 24 in order that the Chinese Embassy would be in position to reply to any inquiries which might be received from the Chinese Government in the matter.

Mr. Hamilton made inquiry as to how the Chinese felt in general in regard to the draft treaty and Mr. Liu replied that the draft was very gratifying. He said that his first inquiry was in regard to the question of taxation; he asked whether American citizens would continue to be considered as exempt from Chinese taxes. Mr. Hamilton explained that by Article I American nationals in Chinese territory would be subject to the jurisdiction of the Chinese Government which meant jurisdiction of Chinese law including laws relating to taxation. He added that this Government expected, of course, that such laws

⁶¹ Initialed by the Chief of the Division (Hamilton); copy transmitted to the Ambassador in China in Department's instruction No. 158, November 20.

would be applied to Americans in an equitable manner and would constitute only the duly promulgated laws of the Chinese Government. Mr. Hamilton also mentioned that for some time past this Government has advised American nationals in China to pay regular and appropriate municipal taxes such as were properly administered and used for public improvements, et cetera.

Mr. Liu made several inquiries in regard to matters which appeared to fall under the Boxer Protocol: the question of Chinese fortifications at Taku and Woosung; the stationing of foreign troops in China; the international bodies known as the Whangpoo Conservancy and the Hai Ho Conservancy; and the Boxer Indemnity. He was informed in reply that Article II made clear provision that any and all rights accorded to this Government under the Boxer Protocol and under agreements supplementary thereto shall cease and that these particular questions were, of course, included in that provision.

Mr. Liu asked whether the questions of the navigation of inland waterways and coastal trade were covered by the treaty, or were matters which we desired reserved for future negotiation. He was informed in reply that our concept of the brief draft treaty was that it should get at the heart of the matter—consular jurisdiction and such related questions as required immediate attention—and that details and particularization could most appropriately be dealt with in the later subsequent modern treaty of commerce, navigation, establishment and consular rights, but there had been no thought in the Department that any particular subject or subjects as such would be reserved for future negotiation. Mr. Hamilton went on to say that the questions were not expressly mentioned in the draft treaty; that we had not gone into them and he could not make a direct answer; that as regards China the question would seem to have three parts—the question of the navigation of rivers, the question of the entry of foreign vessels at ports open to international trade which would now probably exclude some of the “treaty ports” upriver such as Hankow and Kiukiang, and the question of the use of inland waters by the public vessels of foreign nations; and that if the Chinese Government had any suggestions to make in regard to this particular matter we should be very glad to receive them. Mr. Acheson added that in regard to any such matters no one here had any thought of seeking to keep or reserve or obtain from China anything which was not normal in modern international relations and the whole concept had been that the brief treaty on broad general lines would lay a basis in doctrine and principle for the negotiation of the contemplated subsequent comprehensive treaty. Mr. Hamilton went on to say that it had also been our concept, and he hoped that it was likewise the Chinese concept, that any questions relating to the treaty or questions arising later should be viewed by

each Government in a broad light with confidence in the good faith and fairness and friendship of the other Government. Mr. Liu agreed.

Mr. Liu then made a rather vague inquiry in regard to the landholdings of missionaries in interior places in China. It was explained to him that the provisions in regard to land appearing in Article II were included because Chinese law, other than the existing treaties, did not cover the question of leases in perpetuity and it was accordingly necessary to provide for replacement of such leases by deeds of ownership; and that it was only just and fair that landholdings should receive recognition and protection. Mr. Liu agreed.

Mr. Liu then asked a number of questions in regard to the International Settlement at Shanghai. A particular question was the meaning of the reference in Article III to the transfer of official obligations and liabilities to the Chinese Government. It was explained to him that the thought in mind here was that the International Settlement, was, for example, something like a going business concern with assets and liabilities and it seemed only appropriate that if the Chinese Government should take over the administration and control, including the assets, the Chinese Government should also include the obligations and liabilities. Mr. Liu agreed and inquired what particular liabilities we had in mind. He was informed that we had not gone into details in the matter but it was assumed that there were some municipal obligations, including those arising out of municipal debentures. Mr. Liu stated that as a student of law he understood the situation and that, of course, any organization taking over another organization assumed the liabilities as well as the assets.

Further conversation ensued in regard to the general purport and concept of the draft treaty, during the course of which Mr. Hamilton mentioned that we hoped to move forward in the matter as rapidly as practicable. Mr. Liu replied that this was the Chinese hope also and he made a number of remarks indicating that the draft in general had been well received at the Chinese Embassy and that he understood and concurred in the views of this Government in regard to its purport and purpose.

793.003/969a : Telegram

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

WASHINGTON, October 27, 1942—5 p. m.

5325. 1. [Here follows summary of memorandum dated October 26, printed *supra*.]

2. Please inform the British Foreign Office in regard to the above. With particular regard to questions of coastal trade and of inland navigation by both public and private vessels, it has been our intention in

general to eliminate anomalies in the treaty relations between the United States and China. At the same time we realize that these particular questions may involve settlement of details such as ownership of and compensation for wharves and other shipping facilities which might be affected by relinquishment of rights of inland navigation and that discussion of such details might result in undesired delay in conclusion of the brief treaty which we have proposed to the Chinese Government. Our general attitude toward this matter is therefore a flexible one with inclination toward including in the treaty some appropriate provisions on the subject, especially if the Chinese so desire. An early expression of the British Government's thought on this matter would be welcomed.

HULL

793.003/964 : Telegram

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

LONDON, October 27, 1942.

[Received 6:25 p. m.]

5996. Department's 5271, October 24, 11 a. m. I have received from Mr. Eden the following communication dated October 26:

"Thank you very much for letting me see the message from the Department of State dated the 24th October indicating that the Department had added a sentence to article V of the United States draft treaty with China on extraterritoriality.

"I am greatly obliged to you for this information and would ask you to convey to your Government our appreciation of their decision to include in their draft treaty a clause on the lines indicated in the message from the Department of State. The terms used are entirely satisfactory to us and we shall include a corresponding clause in our own draft treaty.

["I note that the United States draft treaty was handed to the Chinese Ambassador at 10:30 a. m. on the 24th October. A communication was made on that date both to the Chinese Chargé d'Affaires in London and to the Chinese Government in Chungking to the effect that His Majesty's Government were still in consultation with the Governments of the Dominions and India but they expected their draft treaty to be closely similar to the United States Government's draft with the addition of a clause covering the rendition of the British concessions at Tientsin and Canton; His Majesty's Government hoped to be in a position to present their draft treaty to the Chinese Government in the very near future."

The British draft of the treaty in its present form has been forwarded to me. Would you want me to cable it as it is or wait until the British have finished their consultations with the Dominions and India which might result in some modification of the text?

WINANT

793.003/980 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, October 30, 1942—2 p. m.

1009. The Embassy at London has been informed by the British Foreign Office that the text of the British draft treaty on extraterritoriality has been sent to the British Ambassador at Chungking with instructions to present it at the earliest possible moment to the Chinese Government. We are asking the Embassy at London to request that the Foreign Office instruct the British Ambassador to furnish you a copy of the text. We are also asking the Chinese Embassy here to telegraph a request to the Chinese Foreign Office that it furnish you promptly a copy of the text of the draft treaty which this Government has presented to the Chinese for the consideration of the Chinese Government.

For your information, the Brazilian Government has informed this Government that it desires to take action in regard to relinquishment of extraterritorial rights similar to ours. The Norwegian Government states that it has informed the Chinese Government that Norway intends to negotiate a treaty on the subject along the same lines as any treaty that might be negotiated between this country and China. The Netherland Government states that it has instructed its Minister in Chungking to inform the Chinese Government that it also desires to proceed with negotiations with the Chinese presumably along the same lines as this Government, except that the Netherlands have a special problem in reference to matters relating to the status of Chinese in the Netherlands East Indies.

HULL

793.003/969a (Suppl) : Telegram

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

WASHINGTON, October 31, 1942—3 p. m.

5440. Department's 5325, October 27, 5 p. m., paragraph numbered 2.

1. After further study, we suggest that the text of an article with regard to coastal trade, inland navigation and related questions, for possible insertion in the draft treaties on extraterritoriality, might be phrased *mutatis mutandis* as follows:

“The Government of the United States of America relinquishes the special rights which vessels of the United States of America have been accorded with regard to the coastal trade and inland navigation, and the special rights which naval vessels of the United States of America have been accorded, in the waters of the Republic of China.

The Government of the United States of America and the Govern-

ment of the Republic of China mutually agree that the merchant vessels of each country shall be permitted freely to come to the ports, places, and waters of the other which are or may be open to foreign commerce, and shall receive in such ports, places, and waters treatment not less favorable than that accorded to national vessels or the vessels of the most favored nation. The coasting trade and inland navigation of each country are exempt from the requirement of national treatment, and are to be regulated according to the laws of each country in relation thereto. It is agreed, however, that vessels of either country shall enjoy within the territory of the other with respect to the coasting trade and inland navigation the most-favored-nation treatment."

Such an article might be inserted in the draft treaties as a new Article V, the present Article V being renumbered Article VI, et cetera.

2. Please communicate the foregoing to the British Foreign Office and state that we should appreciate receiving at an early date any comments which the British Government may have to make.

HULL

793.003/989 : Telegram

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

LONDON, November 5, 1942—5 p. m.
[Received November 5—2:25 p. m.]

6204. I just received the following letter dated November 5 from Mr. Eden:

"With reference to the extraterritoriality question in China, our Ambassador at Chungking has called attention to the fact that the future rights of our nationals to acquire real property are not at present covered by the draft treaties.

Article IV of the American draft (article V of ours) safeguards only existing rights and titles. In so far as the rights granted by the provisions of the old treaties for the acquisition of land on perpetual lease in the treaty ports can be held to be not inconsistent with the present Treaty, article VII (article VIII of our draft) indirectly preserves this right. But neither of these provisions gives our nationals the right to acquire real [real?] property throughout the country. Nor does the right to reside and carry on trade everywhere in China accorded in article V carry with it the right to ownership of real property, although this may have been the underlying intention of the United States Government.

I would observe that the Treaty concluded with China in 1928 by Italy⁶² has annexed to it a declaration by the Chinese Minister of Foreign Affairs as follows: 'In the name of the National Government

⁶² Preliminary treaty of amity and commerce, signed at Nanking, November 27, 1928, League of Nations Treaty Series, vol. xciii, p. 175.

of the Republic of China, I have the honour to declare that, when Italian subjects cease to enjoy the privileges of Consular jurisdiction and other special privileges and when the relations between the two countries are on a footing of perfect equality, the Chinese Government, in view of the fact that Chinese citizens, subject to the limitations prescribed in Italian laws and regulations, enjoy the right to live and trade and to acquire property in any part of the Italian territory, will grant the same rights to Italian subjects in China, subject to the limitations to be prescribed in its laws and regulations.⁷ A similar Declaration is annexed to the Belgian,⁶³ Danish⁶⁴ and Portuguese⁶⁵ treaties of the same year.

This point is one of considerable importance to our respective interests in China and it appears to us most desirable that it should be covered on a reciprocal basis during the present negotiations. It would probably be convenient to deal with it in an annexed exchange of notes. It is not improbable that the Chinese Government will themselves have observations to make upon article V as it stands, and the discussion of these will give us the opportunity to press for this point to be covered.

I should greatly appreciate receiving the views of the United States Government on this question at their early convenience. I can, of course, give you further details of the exact technical position in the United Kingdom on this subject if desired."

Mr. Eden has informed me that the British draft treaty was handed on October 30 to the Chinese Vice Minister for Foreign Affairs.

WINANT

793.003/989 : Telegram

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

WASHINGTON, November 7, 1942—8 p. m.

5605. Your 6204, November 5, 5 p. m. Please inform Mr. Eden informally that before presenting our draft treaty on extraterritoriality to the Chinese we gave careful consideration to the subject which he has raised and that our general thought on this subject is as follows:

One of the fundamental concepts we have had in mind in regard to the proposed treaty is that it should be confined in general to the question of extraterritorial jurisdiction and immediately related questions. In addition we have felt that the treaty should be along broad lines and in general should be of a character which would meet with prompt support in China and in the United States. We have included

⁶³ Preliminary treaty of amity and commerce, signed at Nanking, November 22, 1928, League of Nations Treaty Series, vol. LXXXVII, p. 287.

⁶⁴ Preliminary treaty of amity and commerce, signed at Nanking, December 12, 1928, *ibid.*, vol. XCI, p. 207.

⁶⁵ Preliminary treaty of amity and commerce, signed at Nanking, December 19, 1928, *ibid.*, vol. CVII, p. 93.

in our draft treaty provisions which would give new rights in China to American nationals only in those few instances in which such provisions would not be likely to conflict with this approach.

To endeavor to cover the subject mentioned by Mr. Eden would, we believe, cause delay in concluding the treaty and would raise in the United States because of the provisions of some state laws difficult questions relating to state and federal jurisdictions. In the modern treaties concluded by this Government, questions relating to real property are covered by very detailed and precise provisions. In most cases the question of ownership of real property is not covered. When it is covered, the provisions are of a specialized character. We are accordingly of the opinion that it would be preferable to hold in abeyance questions relating to this whole matter for possible inclusion in the comprehensive treaty which we contemplate concluding at a later time with the Chinese and if decision is then made to include the subject to determine at that time the form and character which provisions on this subject might most advantageously take.

HULL

793.003/11-1042

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] November 10, 1942.

The Ambassador of China, accompanied by Minister Liu Chieh, called at his request and handed me three documents. One entitled "Treaty with regard to Relations Between China and the United States of America",⁶⁶ related to the present negotiations on the general question of extraterritoriality. The second related to a clarification and some modification of the pending proposal on the subject of extraterritoriality.⁶⁷ The third document related to a proposed exchange of notes between our two Governments for the purposes set out therein.⁶⁸ I thanked him and said that my associates and I would give these matters prompt and careful attention.

The Ambassador then said that his Government would be interested in the question of liberalizing the Chinese immigration situation. I said that this brought to my mind the many important questions that would arise in solving the peace problems and establishing a suitable post-war economic and political peace structure in international affairs. In this connection, there must exist a complete relationship of trust and confidence, friendliness and mutual cooperation among the principal governments of the United Nations, such as China, Russia, Great Britain and the United States, to speak without

⁶⁶ Not found in Department files.

⁶⁷ *Infra*.

⁶⁸ *Post*, p. 346.

invidious distinction. I stated that there are today numerous trouble-making persons who travel from one world capital to another and speak recklessly and too often wilfully along the lines calculated to create misunderstanding or suspicion in regard to the motives of friendship and the spirit of teamwork existing among these great governments today. I added that this Government has suffered somewhat from such loose mischievous lines of talk by persons who make their living in this manner and who seek at all times to get themselves in the press, and that many of these busybodies are increasingly endeavoring to excite coolness and misunderstanding between these four governments and their official heads.

After referring to our friendly relations with Russia and our difficulties in fending off troublemaking utterances, such as referred to above, I referred to China and said it was inconceivable to me that the Generalissimo would allow any person to prejudice him in any manner against any of the official heads of the principal United Nations even though some other Chinese officials might be thus influenced; that the high officials of China, I am sure, would immediately disregard the attempts of professional agitators to arouse coolness between our governments, especially in the light of the record of friendship and assistance furnished to China by the United State beginning as far back as 1931, including our far-reaching steps to aid China against Japanese aggression. I said that in so doing we ran the extreme risk of war many times before the conflict actually came. All the time we were safeguarding Chinese interests in dealing with the Japanese, just as much as our own interests, and refusing to concede any Chinese rights to Japan even for the sake of prolonging peace.

The Ambassador listened intently and said he understood everything I was bringing out and that it was important to avoid the interference of trouble-making persons whose activities I had correctly described.

C[ORDELL] H[ULL]

793.003/11-1042

*The Chinese Ambassador to the Secretary of State*⁶⁹

In connection with the Draft Treaty with regard to relations between China and the United States of America, the Chinese Government proposes for the consideration of the United States Government certain modifications as follows:

⁶⁹ Handed to the Secretary of State by the Chinese Ambassador on November 10, 1942. Text of note and enclosure transmitted to the Ambassador in the United Kingdom in Department's telegram No. 5658, November 11, 8 p. m., and to the Ambassador in China in Department's telegram No. 1075, November 13, 11 a. m.

1. To add an article which shall be Article I and read as follows :

“The relation between the Republic of China and the United States of America shall be based on the principles of equality and reciprocity.”

Article I in the original draft shall become Article II and Article II in the original draft shall become Article III and so on.

2. At the end of Paragraph 2 of Articles III [III?] and IV [IV?] (which now become Articles IV [IV?] and V [V?]) to be added the following clause :

“. . . always provided such rights are consonant with the laws and regulations of the Republic of China.”

3. In the first Paragraph of Article IV in the original draft (which now becomes Article V), the phrase “of fraud in the acquisition of such rights or titles” to be amended to read “of fraud or other illegal practices in the acquisition of such rights or titles”.

At the end of the same paragraph to be added “It is also agreed that these rights or titles shall be subjected to the laws and regulations of the Republic of China concerning taxation, national defence, and the right of eminent domain, and that no such rights or titles may be alienated to the government or national (including corporations and associations) of any third country without the express consent of the Government of the Republic of China.”

4. In Article V in the original draft (which now becomes Article VI []), to be deleted the words “and to the carrying on of commerce”, as in the opinion of the Chinese Government this subject can be properly left for more detailed provision in a treaty of commerce to be negotiated in the near future.

5. In Paragraph i of Article VI of the original draft (which now becomes Article VII), the clause “. . . shall be permitted to reside in those ports, places and cities of the other country which are or may be open to consular officers of any foreign country” to be amended to read “shall be permitted to reside in such ports, places and cities as may be agreed upon”.

6. There to be added an exchange of notes in order to clarify the position with regard to certain matters which are not expressly covered by the present Treaty. A draft note is attached herewith.

[Enclosure]

EXCHANGE OF NOTES BETWEEN THE REPUBLIC OF CHINA AND THE
UNITED STATES OF AMERICA

. , 1942.

EXCELLENCY: Under instructions of my Government, I have the honor to state that, in connection with the signing today of the treaty

between the Government of the Republic of China and the Government of the United States of America, abrogating extraterritoriality and its related rights in China, the Government of the Republic of China understands that the systems of treaty ports and of special courts in the International Settlements at Shanghai and Amoy, the carrying on of the coastal trade and inland navigation by the nationals of foreign countries, the employment of pilots, the entering of foreign warships into Chinese ports without previous consent of the Government of the Republic of China are within the purview of abrogation by the present treaty. I shall be much obliged if Your Excellency will confirm the above understanding.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.

793.003/994 : Telegram

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

LONDON, November 10, 1942—6 p. m.
[Received November 10—3:27 p. m.]

6322. I have just received the following letter dated November 10 from Mr. Eden.

“I am writing to you on a further point connected with our draft treaty with China abolishing extraterritorial rights. You may recollect that article 6 of the British draft gives Chinese nationals the right to ‘travel, reside and carry on commerce’ throughout the territories covered by the treaty. It does not give the right of entry. There is a similar provision in the American draft. The Chinese are very likely to raise this point, and although we can, so far as the United Kingdom is concerned, grant the right of entry (since there is at present no immigration legislation discriminating against Chinese in this country) there are likely to be serious difficulties in the Dominions and some of the Colonies.

For this reason I should be most grateful for any indication you can give me of the way in which your Government, if confronted with this issue by the Chinese, would propose to reply.”

WINANT

793.003/994 : Telegram

*The Secretary of State to the Ambassador in the United Kingdom (Winant)*⁷⁰

WASHINGTON, November 11, 1942—6 p. m.

5656. Your 6322, November 10, 6 p. m. In handing me on November 10 the Chinese Government's suggestions in regard to our proposed

⁷⁰ Similar message sent to the Ambassador in China in Department's telegram No. 1077, November 13, 5 p. m.

draft treaty (which suggestions are being communicated to you in a separate telegram), the Chinese Ambassador said that his Government would be interested in the question of liberalizing the Chinese immigration situation. I said that this brought to mind the important questions which would arise in solving the peace problems and establishing a suitable post-war economic and political structure in international affairs; and that there must exist a complete relationship of trust and confidence, friendliness and mutual cooperation among the principal Governments of the United Nations, such as China, Great Britain, Russia, and the United States, to speak without invidious distinction.

It will be noted from our separate telegram to you mentioned above that the Chinese propose an additional article to be Article No. I and to read as follows:

“The relations between the Republic of China and the United States of America shall be based on the principles of equality and reciprocity.”

We do not know the precise purpose which the Chinese have in mind in suggesting this article but it may have relation to the question raised in your telegram under reference. When we discuss the matter with the Chinese, we have in mind saying that the suggested article seems to us to be an unnecessary addition because the treaty speaks for itself; that the facts of our relationships as exemplified in the treaty are more important than descriptive phrases; that our concept of the brief treaty has been, as the Chinese know, that it would accomplish the relinquishment of extraterritorial and special rights and would take care of such related questions as require attention because of the relinquishment of extraterritorial rights; that we have hoped to achieve our purpose in such a way as to avoid bringing in extraneous matters which might cause difficulty and perhaps unfortunate public discussion either in this country or in China; and that the suggested additional article contains language which in our opinion is likely to be misconstrued by persons in this country as affecting broad questions which are necessarily not within the scope of our present endeavors.

HULL

793.003/1001 : Telegram

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

LONDON, November 13, 1942—midnight.

[Received November 14—3:33 a. m.]

6401. I have just received the following letter dated November 12 with enclosure from Mr. Eden regarding the draft treaty on extraterritoriality in China.

MR. EDEN'S LETTER :

"In your letters of the 28th October and the 1st November you asked for our observations on two messages from the Department of State dated the 27th (see Department's 5325, October 27, 5 p. m.) and 31st October (see Department's 5440, October 31, 3 p. m.) relating to our draft treaties on extraterritoriality in China.

I now enclose a statement of our views on the points raised which I should be very grateful if you would convey to the Department of State.

In the difficult question of coastal and inland navigation we feel strongly the desirability of postponing precise arrangements until we come to negotiate comprehensive treaties on a reciprocal basis. If we seem to be somewhat insistent on this point you will understand that it is in part because our interest in these trades in China is, in normal times, very great—greater perhaps than that of any other foreign power except Japan—and that the subject is therefore for us one of the first importance."

ENCLOSURE :

"The Foreign Office concurs in the reply given to the Minister Counsellor of the Chinese Embassy in Washington in regard to the points enumerated in the second sub-paragraph of paragraph 1 of the message from the Department of State dated 27th October, although the only agreement relating to Woosung of which they are aware was the Sino-Japanese armistice agreement reached with the help of friendly powers in 1932,⁷² which was obviously nullified by the subsequent outbreak of hostilities. While regarding the Boxer indemnity as being abrogated by the present agreement, His Majesty's Government are enquiring whether the Chinese Government wish to prolong the validity of the Wang-Lampson exchange of notes of September 1930,⁷³ which was of mutual benefit to the two countries.

The Foreign Office are also in general agreement with the points set out in the third sub-paragraph of paragraph 1 of the Department of State's message of 27 October. Their views are as follows: Questions of inland navigation and coastal trade are not expressly covered in the draft treaty presented to the Chinese nor would article 2 (article 1, American draft) specifically abrogate any treaty rights under which British ships have hitherto been permitted to engage in inland navigation and coastal trade. Moreover, His Majesty's Government would be very reluctant to include in the present treaty any restrictive provisions regarding shipping which may not be strictly necessary. They would wish instead to discuss these questions at a later stage

⁷² For text of the agreement, signed at Shanghai, May 5, 1932, see *Foreign Relations, Japan, 1931-1941*, vol. I, p. 217.

⁷³ League of Nations Treaty Series, vol. cxv, p. 494.

with a view to arriving at some mutual arrangement in the course of negotiations for a comprehensive treaty of commerce and navigation such as article 7 of the American draft (article 8 of ours) foresees. Meanwhile they would be prepared to tell the Chinese Government that while they have no wish to retain the unilateral treaty rights they at present possess, they hope that pending the negotiations for a comprehensive treaty the Chinese Government will not prohibit British shipping from engaging in inland navigation and, when this again becomes possible, the coastal trade of China, especially as both in the United Kingdom and the Colonies Chinese shipping is in practice permitted to engage in these trades.

It seems likely that if the matter were dealt with on these lines time would be saved in negotiating the treaty as a whole. But in any case it is the opinion of the Foreign Office that the line just proposed makes a better tactical approach to the Chinese Government than the immediate offer of treaty restrictions. If, nevertheless, the inclusion of an additional article in the treaty became unavoidable His Majesty's Government would be willing to accept one on the general lines of that proposed in the message from the State Department enclosed in Mr. Winant's letter of 1st November,⁷⁴ but they would wish in the British draft to bring the wording into line with the comparable provisions in other commercial treaties concluded by this country and to consult the Government of India further in this matter.

The Foreign Office would point out, however, that the words 'ports, places and waters of the other which are or may be open to foreign commerce' in the text proposed by the State Department would appear to be inconsistent with article 5 of the American draft treaty which accords the right to carry on trade throughout the Republic of China. It is suggested that the words 'foreign shipping' or preferably 'overseas merchant shipping' would be more suitable in this context than 'foreign commerce.' The phrase 'overseas merchant shipping' is preferable because it would avoid any ground for discrimination against foreign shipping as regards the ports open to it."

WINANT

793.003/11-1342

Memorandum by the Assistant Chief of the Division of Far Eastern Affairs (Atcheson) of a Conversation With the Minister Counselor of the Chinese Embassy (Liu Chieh)

[WASHINGTON,] November 13, 1942.

Mr. Liu telephoned me late November 11, referred to the informal memorandum in regard to proposed Chinese modifications of the draft

⁷⁴ It was based on Department's telegram No. 5440, October 31, 3 p. m., p. 341.

treaty which was handed to the Secretary by the Chinese Ambassador on November 10, and stated that he would be at our disposal at any time to discuss this matter. I stated that we were studying the Chinese suggestions but had not got very far with them, that there appeared to be one or two points on which we might like some clarification, and that I would communicate with him again. After consultation with Mr. Hornbeck I asked Mr. Liu to call this afternoon. He came at five o'clock.

After some general discussion we went over the Chinese suggestions point by point.

In regard to the suggested new article to be Article I of the treaty, I said that this suggestion raised some definite questions. It seemed to us to be an unnecessary addition because the treaty speaks for itself and the facts of the relationships between this Government and the Chinese Government as exemplified in the treaty are more important than descriptive phrases. As the Chinese know, our concept of the brief treaty has been that it would accomplish without delay the relinquishment of extraterritorial and special rights and would take care of such immediately related questions as would require attention because of the relinquishment of extraterritorial rights. We had hoped to achieve our purpose in these respects in such a way as to avoid bringing in extraneous matters which might cause difficulty either in this country or in China and in our opinion the suggested additional article contains language which would be subject to misconstruction by persons in this country as affecting broad questions which are necessarily not within the scope of our present endeavors.

In response to an inquiry by Mr. Liu whether the use in the suggested article of the words "equality and reciprocity" was in itself considered harmful, I went over the points mentioned above and added that it was not customary to employ such phrases in the modern treaties which we had concluded with other countries as it was to be assumed that the treaties constituted treaties between equals and, having in mind the comprehensive treaty which we hope to conclude with China later on, it was a matter of policy to adhere as closely as possible to the language we had employed in such treaties. In other words, our concept of this whole matter is that we are proceeding to wipe out anomalies in our relations with China and to place those relations on a basis of what is normal and usual in modern international practice. Mr. Liu said that he supposed the Chinese Government put store by the suggested language because of the inequalities of the past which had existed in the relationships between China and various other countries and that it had for some years been the policy of the Chinese Government to have inserted some such language in

the new and modern treaties which it had concluded with a number of countries. In this connection he cited Article III of the Sino-Portuguese Treaty of 1928:

“The two High Contracting Parties have decided to enter as soon as possible into negotiations for the purpose of concluding a Treaty of Commerce and Navigation based on the principles of absolute equality and non-discrimination in their commercial relations and mutual respect for sovereignty.” (Underscoring added.)

I restated in other terms the Department's objections to the suggested article and we proceeded to discuss the other Chinese suggestions. At the end of his call Mr. Liu reverted to the suggested new article and mentioned that the Chinese Ambassador in handing the memorandum of suggestions to the Secretary on November 10 had made some mention of the question of immigration. I referred to the Secretary's remarks on that occasion and said again what I had said before—that we had hoped in the brief treaty to take care of extraterritoriality and immediately related matters and to avoid going into extraneous questions or wandering afield in any way that might cause delay.

As regards the other suggestions, I stated to Mr. Liu that we had not got far in our study of them and the questions I would like to ask him were purely personal and informal. He said that he was glad to have an opportunity to talk informally and unofficially, as that was always helpful.

I went on to say that I did not quite understand the suggested amendment in paragraph 2 of the Chinese memorandum, as the additional words which the Chinese desired would seem to vitiate rights in the Quarter and Settlements which stemmed from provisions of treaties and agreements and were in accordance therewith but which had grown up outside the purview of Chinese regulations and of Chinese laws other than the treaties. As an example, I did not know whether the contract between the Shanghai Power Company and the Municipal Council of the International Settlement had been drawn up in accordance with Chinese legal procedure; I assumed that it had been drawn up in accordance with American law and that it was a perfectly legal and legitimate contract. I added that the word “legitimate” in our draft as describing the rights in question was a good safeguard to the Chinese Government and it seemed to me offhand that it was sufficient. Mr. Liu said that, while he did not know, he supposed that the Chinese Government had in mind some kinds of illegal contracts that might exist such as, for example, a contract for a gambling concession in the French area of Shanghai and as the new treaty with the United States would be a model for treaties with other

extraterritorial countries his Government was naturally being as careful as possible in regard to questions of phraseology, et cetera. He did not think there would be any disposition on the part of the Chinese authorities to deny legitimate rights and he would make inquiry of his Government on this point.

In regard to the first item of paragraph three of the Chinese suggestions, a similar discussion ensued. Mr. Liu stated that this was also a question of legal phraseology, that "fraud" did not technically cover, for example, misrepresentation.

In regard to the second item of paragraph three, Mr. Liu said that he hoped we understood the purpose of the suggestion, which was, of course, to preclude after the war widespread purchase of land by Japanese. I said that I wondered if the same result could not be achieved by regulation, that even under extraterritoriality land is governed by the *lex loci* and certainly after extraterritoriality should be abolished there would be nothing in the way of the Chinese Government's looking after matters of that kind by means of regulation and procedure. It accordingly seemed to me unnecessary to emphasize the matter, especially the political aspects of it, in the treaty. I said that my concern was that considerable American land holdings would be for sale and the Chinese suggestion would appear to impose a restriction which if applied in an arbitrary manner by local officials might mean that the American land holder would get next to nothing for such land as he might wish to dispose of.

In regard to paragraph four of the Chinese suggestions, I indicated that this point might be deferred for subsequent discussion.

In regard to paragraph five of the Chinese suggestions, I said that the suggested addition did not seem to me to be necessary as treaty ports would be abolished as such, our relations would be on a normal basis, and the question of appointment of Consuls at particular places would of course be a matter of agreement. I said that I did not know of any modern treaties which this country has with other countries in which this language is used as it is naturally assumed that such questions are resolved by mutual agreement. Mr. Liu stated that obviously in this instance the Chinese Government had in mind the Japanese and also the most-favored-nation clause which, as I knew, had grown to be anathema to modern Chinese because under that clause in the extraterritoriality treaties various countries large and small coming late on the scene had been able to acquire for themselves special rights and privileges and as a result the extraterritorial system had become more and more tightly fastened upon China.

In regard to paragraph six of the Chinese suggestions, I said that it was our hope to avoid particularization as much as possible in the treaty and that some of the points mentioned in the suggested exchange

of notes would seem to be already covered by the general terms of the draft treaty. For example, the question of special courts in the International Settlements would not seem to arise if there were no International Settlements. As regards the mention of treaty ports, I said that treaty ports as such were of course part of the extraterritoriality system and the abolition of them was within our concept of what the treaty should accomplish. I mentioned that their abolition would leave the American public and the world at large in the dark as to which Chinese ports were considered to be open to foreign commerce. The United States Customs, for example, published a list of the ports of the United States open to foreign commerce. As regards the question of pilots, I assumed that what the Chinese Government had in mind was the compulsory employment of foreign pilots under the old pilotage regulations and I mentioned that of course under the port regulations of large ports it was usually required of foreign vessels that pilots be employed. We understood the Chinese desire to get rid of the provisions of the pilotage regulations requiring the employment of a certain number of foreign pilots. As regards the question of coastal trade, inland navigation, and the visits of foreign naval vessels, I remarked that these questions were entirely unrelated to the question of extraterritoriality—there was, for instance, the example of the Amazon River, which is open to foreign commerce—but, as Mr. Hamilton had indicated to him during his call on October 26, the Department would look into them if the Chinese Government so desired. I went on to say, as Mr. Hamilton and I had also said to him on October 26, that in regard to these matters mentioned in the suggested exchange of notes we had no thought of seeking to keep or reserve or obtain from China anything that was not normal in modern international relations.

Mr. Liu stated that he would seek clarification of various points from the Chinese Foreign Office at Chungking and inquired when we might have a more formal and definitive discussion of the Chinese suggestions. (In regard to the suggested additional article he understood, of course, that I had given him the opinion of the Department whereas the remainder of our discussion was purely personal and informal.) He said that the Chinese Government was very anxious to get forward with the treaty. I replied that we too wished to expedite the matter and that I would make every effort to advance it. Mr. Liu stated that he was leaving for New York tomorrow and would return to Washington on Wednesday, November 18.

The conversation was most cordial and friendly in every way.

G[ORGE] A[TCHESON, JR.]

793.003/11-1742

Memorandum by the Assistant Chief of the Division of Far Eastern Affairs (Atcheson) of a Conversation With the First Secretary of the Chinese Embassy (Tswen-ling Tsui)

[WASHINGTON,] November 17, 1942.

Mr. Tsui telephoned this afternoon and stated that the Chinese Embassy had received a telegraphic instruction from the Chinese Foreign Office at Chungking directing that an additional sentence be inserted in the text of the proposed note from the Chinese Government to this Government, which was attached to the document handed to the Secretary by the Chinese Ambassador on November 10, embodying various Chinese suggestions for modification of our draft treaty. Mr. Tsui asked if it would be necessary for him to deliver the revised text of the proposed note in person or would it suffice if he sent it by messenger. I told him that sending it by messenger would be quite all right. Subsequently I received from him the revised text which is attached hereto,⁷⁶ the suggested addition being the penultimate substantive sentence reading: "The questions which are not covered by the present treaty and exchange of notes annexed thereto and which affect the sovereignty of the Republic of China, shall be discussed by the representatives of the High Contracting Parties and shall be decided in accordance with the generally accepted principles of international law and modern international practices."

Mr. Tsui telephoned later to inquire in regard to the receipt of the revised text, and I took the occasion to ask his opinion as to the purpose it was intended to serve. He stated that he assumed it was intended to cover questions such as the stipulation covered in exchange of notes between the British Minister and the Tsung-li Yamen of February 3 and February 13, 1898⁷⁷ to the effect that so long as British trade in China predominates the Inspector General of the Chinese Maritime Customs shall be a British subject. I thanked Mr. Tsui and stated that we would study the matter along with the other Chinese suggestions.

G[EORGE] A[TCHESON, JR.]

793.003/1001 : Telegram

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

WASHINGTON, November 17, 1942—7 p. m.

5758. Department's 5325, October 27, 5 p. m.; 5656, November 11, 6 p. m.; 5658, November 11, 8 p. m.;⁷⁸ and your 6401, November 13, midnight.

⁷⁶ Not printed.

⁷⁷ See John V. A. MacMurray (ed.), *Treaties and Agreements With and Concerning China, 1894-1919* (New York, 1921), vol. I, pp. 105-106.

⁷⁸ See footnote 69, p. 345.

One. [Here follows summary of memorandum dated November 13, printed on page 350.]

Two. For the information of the British Foreign Office, we perceive no objection to covering in an exchange of notes, if the Chinese continue in their desire therefor, such questions as foreign pilots, special courts and treaty ports, especially, as regards the latter, if there is included in the body of the treaty some appropriate provision relating to inland navigation which would grant us reciprocal rights. For our part we might have one or two additional matters to cover in such notes as, for example, the question of the disposition of cases pending before the United States Court for China. While we have not yet obtained sufficient factual information in regard to the number, kind and importance of such cases, it is understood that they are chiefly bank receiverships and estates in occupied China, and that some of the estates are being handled informally by the Swiss authorities in that area. In the light of the impossibility in the near future of formally adjudicating such matters in occupied China, we are inclined to the view that the simplest way of disposing of them would be to include in the suggested exchange of notes a stipulation somewhat as follows:

“It is mutually understood that the orders, decrees, judgments, decisions and other acts of the United States Court for China and of the Consular Courts of the United States in China shall be considered as *res judicata*. It is further understood that any cases pending before the United States Court for China and the Consular Courts of the United States in China at the time of the coming into effect of this treaty shall be remitted to the appropriate courts of the Government of the Republic of China which shall proceed as expeditiously as possible with their disposition and in so doing shall in so far as practicable apply the laws of the United States.”

The British Government doubtless has a similar problem in regard to the British courts in China.

Three. There would seem now to be three important questions for decision, as follows:

(1) The question of the additional article which the Chinese have suggested be adopted as Article I. As we have indicated, the Department feels strongly that we should not concur in the suggested inclusion of such article.

(2) The questions of inland navigation, et cetera. We have given careful thought to the questions of the special rights which vessels of the United States have been accorded with regard to coastal trade and inland navigation and the special rights which naval vessels of the United States have been accorded in the waters of China. These questions were raised by the Chinese Foreign Minister orally before his recent departure for China; they were raised again orally by the Chinese Minister Counselor on October 26; they were raised in the

document which the Chinese Ambassador handed to me on November 10 and they were raised for the fourth time by the Minister Counselor on November 13.

As indicated in the Department's 5325, October 27, 5 p. m., paragraph 2, our inclination in general has been toward including in the treaty some appropriate provisions on these subjects, especially if the Chinese should so desire. It has become apparent that the Chinese definitely desire the inclusion of such provisions in the treaty or in a supplemental exchange of notes. Our impression is that the Chinese will be insistent in this respect because, for one thing, the rights in China which we possess in regard to coastal trade and inland navigation (including navigation of inland waters by our naval vessels) are special and unilateral rights and, for another thing, those rights, although not actually related to extraterritoriality, are strongly associated in both the Chinese official and public mind with extraterritoriality.

Throughout the course of our talks with Chinese officials we have repeated and emphasized that we do not have any thought of seeking to reserve or retain or to obtain from China anything that is not normal and usual in international relations; that it has been our concept and assumption that the brief treaty would once and for all eliminate the anomalies in the relationships between the two countries; and that the primary objective of the treaty is to accomplish the abolition of extraterritorial and other special rights and to take care of such additional matters as require attention because of the abolition of rights of a special character.

It would be most unfortunate if the signing of the treaty should be delayed because of difficulty over questions relating to any special rights which it has been our intention in general to take care of by means of the treaty. In all probability the existence of difficulties in regard to important issues would not remain long unknown to the public in China or in this country. Any unwarranted delay in the signing of the treaty would of itself probably furnish indication of the existence of controversy or other important difficulty. We feel sure that public opinion here would be adversely critical of any development which might have the appearance of an endeavor to retain important special and unilateral rights which we for our part are not in position to grant to the Chinese.

In the light of the above, we would suggest that the British Government might wish to give further consideration to the question of adopting an article along the general line of ours. In this connection we have of course taken note of Mr. Eden's statement in his letter of November 12 mentioned above that, if the inclusion in the treaty of

such additional article should become unavoidable, the British Government would be agreeable thereto although it would wish to bring the wording in the British draft in line with comparable provisions in other British treaties.

We accept the suggestion of the British Foreign Office that the words "overseas merchant shipping" be substituted for the words "foreign commerce" in paragraph 2 of our suggested article following reference to the ports, places, and waters which are to be opened to overseas merchant shipping. (We do not interpret the phrase "and carry on trade" in Article V of our draft as granting or implying rights of inland navigation, et cetera.)

(3) The question of the clause in regard to commerce in Article V. It will be recalled that we concurred in the suggested inclusion of this clause at the earnest request of the British Government although we felt that it might logically be regarded as one of the questions to be considered in the later comprehensive treaty. As indicated in One (4) we for our part would not object to deleting from Article V the words "and to the carrying on of commerce" but would be pleased to receive the further views of the British Government in the matter.

Four. Our draft treaty was presented to the Chinese Government on October 24. We are, for obvious reasons, desirous of proceeding expeditiously toward agreement with the Chinese on the final draft. It would be gratifying to us if the treaty could be signed within the next three or four weeks.

HULL

793.003/1007 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, November 19, 1942—10 a. m.

[Received November 20—2:07 p. m.]

1351. Your 1075⁸⁰ and 1077⁸¹ November 13. I assume London has informed you of Chinese proposals made here to British Ambassador which so far as they concern matters of mutual interest are substantially the same as those made at Washington.

British Ambassador is of opinion that proposed new article I is intended largely for purposes of "face" with Chinese people. I do not dismiss possible relation of proposal to subject mentioned in your 1077. Australian Minister recalls that Japanese made similar proposal at 1919 Peace Conference.⁸²

⁸⁰ See footnote 69, p. 345.

⁸¹ See footnote 70, p. 347.

⁸² See *Foreign Relations*, The Paris Peace Conference, 1919, vol. III, pp. 289-291, and *ibid.*, vol. XI, p. 129, first paragraph.

I believe we should request explanation of exact purpose of proposed insertion at end of second paragraphs of our articles II and III. To me the proposal represents a technical saving clause which may be availed of to question "legitimate rights". For example the franchises now held by Shanghai Power and Telephone Companies, both American, might be attached [*attached?*] as not consonant with laws and regulations of China.

In same way I suggest request for explanation of purpose of phrase "or other illegal practices" after word "fraud" in our article IV. Many customs and practices regarding land transfers in China may not have been "legal" under Chinese law but were settled local procedure and customs not "illegal" under foreign law. Insertion of proposed phrase would open opportunity for numerous disputes.

Proposed new paragraph to be inserted in same article IV, besides making provision in derogation of the right of alienation, also carries provisions regarding taxation, national defense and right of eminent domain which it seems to me should be carefully examined and preferably deferred to the later negotiation of comprehensive treaties. Military extortions, occupation of mission property under pretext of national defense, and quartering of troops in mission compounds have always given us much trouble and are certain to become serious problem if not carefully adjusted in advance.

In article V the proposed deletion of the reference to commerce portends that we shall not be granted reciprocity and equality in the treaty of commerce later to be negotiated. I am not surprised.

The proposed change in article VI would seem to offer opportunity for discrimination but I am not informed what modern treaties provide on this subject.

Proposed exchange of notes, of course, seeks to have brief treaty include relinquishment of all special rights. I doubt whether exchange of notes is adequate for this purpose.

Question of coastwise shipping and inland navigation will particularly affect British. China should realize that the proposal would leave her with little or no tonnage to handle coastwise and inland trade after the war until new tonnage is acquired.

Relinquishment of right of foreign pilots would affect us at Shanghai where [there] are few Chinese pilots acquainted with the river and at the same time capable of handling large oceangoing ships. American pilots have substantial financial interest in the pilotage service ships and equipment at Shanghai. China should compensate for their interest in taking over pilotage.

793.003/1007a : Telegram

*The Secretary of State to the Ambassador in the United Kingdom
(Winant)*⁸³

WASHINGTON, November 21, 1942—3 p. m.

5859. Department's no. 5440, October 31, 3 p. m. to London and paragraph numbered 3 of no. 1075, November 13, 11 a. m., to Chungking.⁸⁴

1. During his call at the Department on November 13, the Minister Counselor of the Chinese Embassy discoursed at some length on the Chinese aversion to the "most favored nation" clauses which in the old extraterritorial treaties with China had worked, he said, to China's great disadvantage almost from the very beginning of extraterritoriality in that country. He indicated that enlightened Chinese officials of course understood the use of the clause in modern treaties concluded between nations on a basis of equality and reciprocity but pointed out that the general conception of the clause in the Chinese official and public mind is that it is an integral and much resented part of the extraterritorial system. He referred to recent articles in the *Ta Kung Pao* of Chungking advocating that the Chinese take a strong stand to insure that no such clause be included in the contemplated, new treaties between China and the United States and between China and other countries. He pointed out that the clause in question had grown to be anathema to the Chinese Government and people because under it in the extraterritorial treaties various countries, large and small, as they came on the scene in China had been able to acquire for themselves special rights and privileges and as a result the system of extraterritoriality had become more and more tightly fastened upon China.

It is our opinion that the Minister Counselor correctly described and explained Chinese feeling in this regard, and it has occurred to us that our negotiations with the Chinese might be facilitated by substituting for any specific reference in the treaty to "most favored nation treatment" other language which will be no less effective and which might be more acceptable to the Chinese and might thus obviate avoidable opposition and delay. The only reference to "most favored nation treatment" in the texts now under consideration occur in the second paragraph of our proposed additional article on coasting trade, inland navigation, etc. We are of the opinion that the language of that paragraph might be altered to read: "The Government of the United States of America and the Government of the Republic of China mutually agree that the merchant vessels of each country shall be

⁸³ Repeated to the Ambassador in China in Department's telegram No. 1127, November 21, 3 p. m.

⁸⁴ Latter telegram not printed, but see footnote 69, p. 345.

permitted freely to come to the ports, places, and waters of the other country which are or may be opened to overseas merchant shipping, and that the treatment accorded such vessels in such ports, places and waters shall be no less favorable than that accorded to national vessels and shall be as favorable as that accorded to the vessels of any third country. The coasting trade and inland navigation of each country are excepted from the requirement of national treatment and are to be regulated according to the laws of each country in relation thereto. It is agreed, however, that vessels of either country shall enjoy within the territory of the other country with respect to the coasting trade and inland navigation treatment as favorable as that accorded to the vessels of any third country."

2. Chinese desires as exemplified in the Chinese suggestion for an additional article to be adopted as Article I to the effect that the relations between China and the United States shall be "based on the principles of equality and reciprocity" might be met by altering the preamble of our draft treaty to read: "The United States of America and the Republic of China, in recognition of the friendly relations which have long prevailed between their two peoples, of their common commitment to high purposes in the regulation of human affairs and their common desire that the principle of equality among sovereign States be made increasingly effective, have resolved to conclude a treaty for the adjustment of certain matters in regard to jurisdiction in China and related questions, and have appointed et cetera." We propose to make a suggestion along those lines to the Chinese.

3. With reference to paragraph 2 of the Chinese suggestion, it occurs to us that the deletion from the end of the second paragraph of Articles II and III of our draft treaty of the words "and for the recognition and protection of all legitimate rights therein" would eliminate any basis for the additional clause suggested by the Chinese Government. We propose to suggest to the Chinese that this question be resolved in this manner.

4. With a view to resolving the question raised by the Chinese in the first part of paragraph 3 of their suggestions, we propose to suggest that the particular language under discussion be altered to read: "it is agreed that such existing rights and titles shall be indefeasible and shall not be questioned upon any ground except upon proof, established through due process of law, or fraud or of fraudulent or other dishonest practices in the acquisition of such rights or titles, it being understood that no right or title shall be rendered invalid by virtue of any subsequent change in the official procedure through which it was acquired."

Sent to London and Chungking.

HULL

793.003/11-2342

Memorandum by the Assistant Chief of the Division of Far Eastern Affairs (Acheson) of a Conversation With the Minister Counselor of the Chinese Embassy (Liu Chieh)

[WASHINGTON,] November 23, 1942.

Mr. Liu called by appointment at his request at noon today. Mr. Liu referred to our conversation of November 13 and stated that the Chinese Embassy had now received from the Chinese Foreign Office a reply to the telegram which he had had sent to Chungking as a result of that conversation. With reference to the Chinese suggestion that a new article to be numbered one be inserted in the treaty to the effect that the relations between China and the United States should be "based on the principles of equality and reciprocity" and with reference to the Department's views in the matter as I had communicated them to him orally on November 13, he stated that the Chinese Government continued to desire the insertion of such article as the question devolved upon a principle which the Chinese Government regarded as fundamental; moreover, the employment of such language in the treaty would be of assistance to the Chinese Government because it would be very pleasing to the Chinese people as a whole. In reply I went over the reasons why the Department felt that the suggested article was unnecessary and would be out of place in the treaty. In addition I mentioned again that the language suggested might be subject to misconstruction in both China and the United States and I said, as on my own, that we did not wish the treaty to pretend to be something that it was not or to imply in any way that it covered questions which were not covered; that there were a number of questions in international relations which would come up for discussion sometime; that all such questions would not be settled all at once, but must await their turn and let progress be made step by step; that I perceived no possibility of arranging for the inclusion in the brief treaty on extraterritoriality of any language which purported, or might be considered to purport, to cover matters not actually covered.

I went on to say that we had given the Chinese suggestion the most careful and most sympathetic consideration and that, in an earnest endeavor to meet Chinese wishes in any way that would be appropriate and practicable, we were in the process of drafting something in other language which I thought would probably resolve this particular question to the satisfaction of all concerned. I said further that in formulating our draft of the brief treaty we had attempted in the very best faith and in a whole-hearted spirit of friendship for China to be very generous in regard to the relinquishment of extraterritorial

and related special rights. We had not, for example, attempted to use extraterritoriality for bargaining purposes; we had not asked of the Chinese any *quid pro quo*; we had asked for nothing that was not usual and normal in the modern relations between two friendly countries; I hoped that the Chinese Government had noted and would appreciate these facts.

Mr. Liu said that he understood the situation and that our attitude in the matter, he was sure, was fully appreciated in Chungking; the Chinese Embassy had done its best to explain to the Chinese Foreign Office the reasons for our attitude and the reasons which assumably lay behind that attitude.

We then proceeded to discuss, also in a purely informal and personal way, other of the modifications suggested by the Chinese and during this portion of our talk I made tentative suggestions, without commitment, in regard to the resolving of the various points along the lines already suggested to the British Government. Mr. Liu indicated that he personally was agreeable to, and pleased with, these suggestions and that he felt that they would in general be well received by the Chinese Government.

At various times throughout our conversation Mr. Liu pressed me to give him an approximate date on which the Chinese Embassy could expect to receive formally our counter-suggestions in a document in reply to that presented to the Secretary by the Chinese Ambassador on November 10 and asked twice whether such document could not be ready within a week at most. He mentioned that the Central Executive Committee of the Kuomintang was now in session at Chungking and that it was very desirable, from the Chinese Government's point of view, that the draft treaty be at least agreed upon and possibly signed before the meetings of the Central Executive Committee should terminate. He said that the Chinese Foreign Office felt that if the treaty could be agreed upon before the termination of the Committee's sessions the political benefits in China as well as in Sino-American relations would be increased. I told Mr. Liu that we were working earnestly in the matter and were ourselves very anxious to get forward with it. I mentioned that we had hoped that the draft treaty would not take long to negotiate and one of the considerations in our minds in connection with the presentation of the draft treaty was that it could, if too many details were not interjected into the matter, be handled expeditiously, leaving particularization to be covered in the later comprehensive treaty.

Upon leaving Mr. Liu gave repeated expressions of appreciation of our efforts. The conversation was extremely friendly and cordial throughout.

G[EOERGE] A[TCHESON, JR.]

793.003/1010 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, November 24, 1942—1 p. m.

[Received November 25—2 : 55 p. m.]

1385. For the Secretary and Under Secretary. During a visit to Foreign Minister this morning he mentioned the matter of the extra-territoriality treaty and said as there appears to be general agreement with no important outstanding differences he hopes the treaty can be signed without delay; in fact he would like to see it signed on Thursday⁸⁵ in order that the Generalissimo might announce its conclusion at the final meeting of the Central Executive Committee on 28th. I replied that my information led me to believe there are no important outstanding differences but that several of the Chinese proposed amendments are not entirely acceptable in their present form and this might require a very brief delay for consultation and redrafting, but that I know that the American Government is most desirous of early conclusion of the treaty. Referring to the Chinese proposals, Soong said he had sent instructions to the Chinese Ambassador at Washington not to be insistent on them. Referring to the proposed new article I, he said that if it is not entirely acceptable his Ambassador has been told to omit it; and the same with reference to other suggestions. In short, China and America have mutual faith and trust; he regards the broad general lines of the draft treaty as evidencing that faith and trust; and he wants no quibbling and "insistence upon the letter of the law". He mentioned the *Ta Kung Pao* editorials and said he has no patience with those who propose restrictions on foreigners in China.

GAUSS

793.003/1008 : Telegram

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

LONDON, November 24, 1942—2 p. m.

[Received 5 : 22 p. m.]

6608. With reference to Department's 5758, November 17, I have just received the following letter, dated November 23, with enclosure, from Mr. Eden regarding the draft treaty on extraterritoriality in China.

Begin Mr. Eden's letter :

"Thank you for your letters of 12th and 18th November containing further messages from the Department of State relating to extra-territoriality in China.

⁸⁵ November 26.

I send you herewith a memorandum giving the views of the Foreign Office upon the points raised.

We also would like to see the treaties signed within 3 or 4 weeks and intend to make every effort to achieve this. You will observe that there are only two points of any substance on which it remains for us to coordinate our replies to the Chinese Government, namely, national treatment for the carrying on of commerce and the manner in which we should meet the Chinese desire to cover coastal and inland navigation in the present negotiations. These are points on which we feel strongly that we are fully entitled to ask of the Chinese equal and reciprocal treatment and I very much hope that our suggestions will prove acceptable to the Department of State." End Mr. Eden's letter.

Begin enclosure:

"(Numbering of paragraphs below corresponds to numbering of paragraphs in Department of State's message of 17th November) (number 5758).

One. (1) The Foreign Office attach the highest importance to the principle that the relations between this country and China to be inaugurated by the present treaty should be firmly based on genuine equality and reciprocity. Nevertheless they are ready to concur in the attitude adopted by the Department of State in regard to the proposal for a new article on this point.

(2) and (3) (*a*) and (*b*), the Foreign Office agree with the articles in question and for the same reasons.

(4) As the Department of State are aware, the Foreign Office attach importance to obtaining national treatment in the matter of carrying on commerce in China. His Majesty's Government are entitled to claim on a basis of equality and reciprocity that this principle should be recognized. Nevertheless the Foreign Office appreciate that the application in detail of this principle is a matter which will [not?] fail to be considered in the later comprehensive treaty. In order to bridge the gap and to meet any qualms the Chinese may have on this subject, the Foreign Office propose to instruct His Majesty's Ambassador to inform the Chinese that while they wish to retain the words "and the carrying on of commerce" in the second sentence of article VI of the British draft treaty (article V of the American draft) they are prepared to agree to the insertion at the beginning of this sentence of the words "pending the conclusion of the comprehensive treaty mentioned in article VIII" (article VII of the American draft). This sentence is already phrased in a tentative way ("will endeavour to accord") and the insertion of the additional phrase now proposed should from the Chinese point of view emphasize its provisional character,

while from our own point of view it will establish that this is a matter for later negotiation. The Foreign Office trust that the Department of State will see their way to concurring in this solution.

(5) The Foreign Office see no objection to concurring in the proposed amendment to article VII of the British draft treaty. (Article VI of the American draft.)

(6) In general the Foreign Office confirm that there is no intention to retain anything which is not normal in international practice. On the other hand, while ready to abandon all inequalities suffered by China, they are not prepared to substitute other inequalities to the detriment of British or any other interests which may be affected by the present treaties. As to the individual points raised:

Treaty ports. Inasmuch as we desire to encourage the Chinese Government to open all parts of the country to foreign commerce, travel and residence, we welcome the proposal to declare the abrogation of the "treaty port system" which confined commerce and residence to certain cities. The Foreign Office propose so to reply to the Chinese Government with the object of eliciting from them whether this is indeed what they have in mind.

Special courts. The Foreign Office agree that these will disappear. Coastal and inland navigation. See below under three.

Pilots. The Foreign Office also assume that the Chinese Government have in mind the general pilotage regulations of 1868.⁸⁷ Shanghai is the port chiefly affected by this question, and prior to the war there was at Shanghai, as the Department of State are aware, a Foreign Licensed Pilots' Association functioning under a Sino-foreign charter. Candidates admitted to the Association were required to buy a share in a company formed to own the pilot ships and other property used by the Association. On resignation from the Association members were refunded the amount of their shares. His Majesty's Government have no wish to retain any special privileges in this respect, but for the safety of big ships (including naval vessels) navigating the difficult entrance to Shanghai they consider that the Chinese Government should be invited to agree to employ a sufficient number of qualified foreign pilots when Shanghai again becomes open to allied shipping and until an adequate number of Chinese pilots can be trained to take their place. It would also be desirable to secure from the Chinese Government an undertaking to assume responsibility for the financial obligation of the Licensed Pilots' Association toward those of its members whose employment was terminated.

⁸⁷ Hertslet's China Treaties: *Treaties, etc., Between Great Britain and China; and Between China and Foreign Powers; and Orders in Council, Rules, Regulations, Acts of Parliament, Decrees, etc., Affecting British Interests in China* (London, 1908) vol. II, p. 658.

Foreign warships. His Majesty's Government would not wish to retain any of the special rights which His Majesty's ships have been accorded in the waters of China. The Foreign Office would suggest that any exchange of notes should acknowledge this and add the following:—

“His Majesty's Government and the Chinese Government shall extend to each other the mutual courtesy of visits by their warships in accordance with international usage.”

Two. The Foreign Office would see no objection to exchanging notes on treaty ports, special courts, the employment of pilots and visits of foreign warships on the lines indicated above. They agree that it would be desirable to cover the problem of cases pending before the British courts in China and judgments already delivered in an exchange of notes in the terms proposed by the Department of State, subject to the two following insertions:

(a) at the end of the first sentence:—“ . . . and shall, when necessary, be enforced by the Chinese authorities”;

(b) before the words “be remitted”:—“ . . . if the plaintiff or petitioner so desires”. This is desired in order to cover cases where the parties might prefer to settle, or to submit the dispute to arbitration.

In rendering the final phrase for the purposes of the British draft treaty it will be necessary to say “apply the laws which a British court would apply”. The Foreign Office assume that there will be no objection to Consuls finishing uncontested probate and administration matters in a nonjudicial capacity. It will also be necessary in matrimonial cases where a decree *nisi* has already been granted to arrange for the decree to be made absolute, but it is hoped that this could be done without any explicit provision being required.

Three. Points (1) and (3) in this section of the Department of State's message have already been dealt with above, under One (1) and (4). This leaves outstanding point (2)—inland and coastal navigation.

As regards His Majesty's ships, see under One (6) above. As regards coastal trade and inland navigation by merchant vessels, the Foreign Office think it greatly preferable to adhere, at least in the first instance, to the attitude set out in the memorandum sent to His Excellency the American Ambassador on November 12. In doing so they do not consider that they are attempting to preserve unilateral and unequal privileges in China because in the United Kingdom, the colonies and in India, Chinese shipping is in practice permitted to engage in these trades. The Foreign Office would for instance call the attention of the Department of State to the Burma convention

concluded between Great Britain and China in 1894⁸⁸ of which article 12 reads as follows:

“The British Government, wishing to promote frontier trade between the two countries by encouraging mining enterprise in Yunnan and in the new territorial acquisition of China referred to in the present convention, consent to allow Chinese vessels carrying merchandise, ores, and minerals of all kinds, and coming from or destined for China, freely to navigate the Irrawaddy on the same conditions as to dues and other matters as British vessels.”

The Foreign Office propose that the above should be pointed out to the Chinese Government. If, however, the Chinese Government insist on their request to have the subject of coastal trade and inland navigation included in the proposed exchange of notes, His Majesty's Government would be prepared to comply on the following lines. His Majesty's Government would state that they do not reserve any unilateral treaty rights which they possess in respect of coastal trade and inland navigation, in return for which the Chinese Government would state in effect that while reserving the right to limit these trades to the Chinese flag, they would permit the existing practice to continue pending further arrangements.

His Majesty's Government have now received proposals similar to the above from the Chinese Government for the amendment of the British draft treaty and for an exchange of notes. In the British exchange of notes the Chinese Government wish, however, to add to the matters for abrogation already mentioned to the United States Government “the employment of a foreign national as inspector general of the Chinese Maritime Customs.” Since the United States Government are also interested in the Chinese customs and the financial obligations secured thereof His Majesty's Government would be glad to learn their views on this last mentioned request. They for their part are prepared to agree to the inclusion of this point in the exchange of notes, but they would propose to express the hope that the Chinese Government will continue to maintain the administration of the customs service as at present constituted both in China's own interest and those of the holders of Chinese bonds secured on the customs revenue.

The Chinese Government also wish to insert in the Sino-British exchange of notes a final sentence which reads:—“Questions which are not covered by the present treaty and exchange of notes annexed thereto and which affect the sovereignty of the Republic of China shall be discussed by the representatives of the high contracting parties and shall be decided in accordance with the generally accepted principles

⁸⁸ Signed at London, March 1, 1894, *British and Foreign State Papers*, vol. LXXXVII, p. 1311.

of international law and with modern international practice." The Foreign Office are not clear as to the purpose underlying this proposal and are asking for an explanation.

It should be added in conclusion that apart from the questions of common interest to the United States and Great Britain and India, the Chinese Government have asked for the inclusion in article V of the Sino-British treaty of additional clauses terminating the convention for the extension of the Hong Kong territory signed at Peking in 1898.⁸⁹

The Foreign Office share the desire of the Department of State that the negotiations should if possible be concluded in the next 3 or 4 weeks. It is proposed therefore to instruct His Majesty's Ambassador at once in the sense of the observations made above, but he will not be authorized to act upon them until the further views of the Department of State are received." (End enclosure)

The Department's 5859, November 21 has been communicated to the Foreign Office and its views will be transmitted to the Department when received here.

WINANT

793.003/1009a : Telegram

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

WASHINGTON, November 24, 1942—7 p. m.

5914. Department's 5859, November 21, 3 p. m., and previous, treaty on extraterritoriality.

1. In the light of the modifications of the draft treaty suggested by the Chinese and our proposed counter suggestions, it is believed that, in connection with the question of a supplemental exchange of notes, we might appropriately present to the Chinese a draft text of the contemplated note from the Chinese Government in language somewhat as follows:

First paragraph:

"Under instruction of my Government, I have the honor to state that in connection with the treaty signed today by the Government of the Republic of China and the Government of the United States of America, in which the Government of the United States of America relinquishes its extraterritorial and related special rights in China, it is the understanding of the Government of the Republic of China that the rights of the Government of the United States of America and of its nationals in regard to the system of treaty ports and of special courts in the International Settlements at Shanghai and Amoy and in regard to the employment of foreign pilots in the ports of the

⁸⁹ Signed at Peking, June 9, 1898, *British and Foreign State Papers*, vol. xc, p. 17.

territory of China are also relinquished. In the light of the abolition of treaty ports as such, the Government of the Republic of China desires to make known that the following ports in its territory are considered to be open to overseas merchant shipping of the United States of America: [It is assumed that here the Chinese Government will wish to insert the names of the ports which are normally opened to foreign commerce with, and the overseas merchant shipping of, friendly countries.]⁹⁰ 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.⁹¹

[The final sentence of this paragraph is a suggestion of the Chinese presented to the Department on November 17.]⁹⁰

Second paragraph [if the Chinese suggestion of a reference to a restriction on the right of alienation is included in Article IV of our draft]:⁹⁰

“With reference to Article IV of the treaty, the Government of the Republic of China hereby declares that the restriction on the right of alienation of existing rights and titles to real property referred to in that article will be applied by the Chinese authorities in an equitable manner and that if and when the Chinese Government declines to give assent to a proposed transfer the Chinese Government will, in a spirit of justice and with a view to precluding loss on the part of American nationals whose interests are affected, undertake, if the American party in interest so desires, to take over the rights and titles in question and to pay adequate compensation therefor.”

Third paragraph: This paragraph would cover the questions of the decisions of, and cases pending before, the United States Court for China and the United States Consular Courts as set forth in the quoted portion of paragraph numbered 2 of our 5758, November 17, 7 p. m.

2. It would be much appreciated if we could have at an early date the views of the British Government in regard to the above and other questions concerning the modifications suggested by the Chinese, including of course the further views of the British Government in regard to our proposed new article on the subjects of coasting trade, inland navigation, et cetera. It may be added that the Chinese are pressing us for formal reply to the document they handed to us on November 10 and we should, of course, wish to move forward in the matter as soon as practicable.

HULL

⁹⁰ Brackets appear in the original.

793.003/1008 : Telegram

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

WASHINGTON, November 25, 1942—7 p. m.

5931. Your 6608, November 24, 2 p. m. It has, of course, been our earnest desire to meet British wishes in regard to various questions in connection with the draft treaty on extraterritoriality and supplemental exchange of notes to the greatest extent that would be compatible with our broad interests and fundamental policies. In response to Mr. Eden's suggestions contained in your telegram under reference and in the light of the wish of both governments to get forward in the matter, the question what means might be adopted to enable us to come closely to paralleling, if not in all cases adopting, the British suggestions has been given further study and as a result we offer comment and suggestions as the basis of reply to Mr. Eden as follows:

One. (1) Our suggestion in this respect was contained in our no. 5859, November 21, 3 p. m.

(2), (3), (a) and (b). See our 5859, November 21, 3 p. m. (With further reference to (3) (b) we intend as indicated in our no. 5914, November 24, 7 p. m. to incorporate the Chinese suggestion in full in Article IV of our draft.)

(4) The British suggestion in regard to the reference, inserted in Article V of our draft, to "the carrying on of commerce": As previously explained, this question tends to raise difficult questions of State and Federal jurisdiction in this country. Consequently we have not been happy about the matter; we feel that the fundamental difficulty involved has not been adequately taken care of; and, now that the Chinese have raised objection to the inclusion of the phrase and have pointed out that it involves a matter which most appropriately might be covered by the subsequent comprehensive treaty, we do not feel that we can consistently do other than accept the Chinese suggestion that it be deleted, especially as it is believed that there is little if any possibility of overcoming Chinese opposition to inclusion of the phrase.

(5) Agreement has been reached in regard to this question.

(6) This question was covered in our no. 5859, November 21, 3 p. m. We now propose, in the light of the modification of the provision concerning coasting trade and inland navigation discussed in paragraph numbered 3 below to insert in the suggested note from the Chinese Government after the reference to treaty ports a sentence as follows: "As regards the question of the treatment of overseas merchant shipping, it is mutually understood that the vessels of each country shall

be permitted freely to come into the ports, places, and waters of the other country which are or may be open to overseas merchant shipping and that the treatment accorded such vessels in such ports, places, and waters shall be no less favorable than that accorded to national vessels and shall be as favorable as that accorded to the vessels of any third country.”

We do not feel that we can ask the Chinese to agree to continue the employment of foreign pilots but perceive no objection to the British Government, for its part, following its suggestions in this matter. As regards the question of the financial obligations of the Licensed Pilots' Association, it is our view that this question might fall within the purview of the second paragraph of Article VII of our draft.

Foreign Warships. We are adopting the British suggestion and now propose to insert in the draft note from the Chinese Government language as follows: “It is mutually understood that the Government of the United States of America relinquishes the special rights which naval vessels of the United States of America have been accorded in the waters of the Republic of China and that the Government of the Republic of China and the Government of the United States of America shall extend to each other the mutual courtesy of visits by their warships in accordance with international usage and comity.”

Two. (a) We accept the British suggestion.

(b) We accept the British suggestion.

Three. It seems to us that the divergence of views which has obtained between this Government and the British Government in regard to the questions of coasting trade and inland navigation arise from necessary differences in the practices of the two governments. For example, as previously indicated, we cannot grant the Chinese reciprocal rights in these matters. In the light of our concept of policy toward China, we cannot consistently seek to reserve or retain special rights. However, in consideration of the importance which the British Government attaches to the questions of coasting trade and inland navigation, we are prepared to abandon our proposal that these questions be covered by an additional definitive article and now propose, as a suitable alternative within the necessary framework of our general policy, the insertion in the proposed note from the Chinese Government of language as follows: “While the question of rights in connection with the coasting trade and inland navigation in the waters of the Republic of China is not related to extraterritorial jurisdiction and is a matter which it is appropriate to reserve for the comprehensive treaty of commerce, navigation, et cetera which will be negotiated subsequently by the two governments, it is mutually understood that the Government of the United States of America relinquishes the special rights which vessels of the United States have been accorded

in connection with the coasting trade and inland navigation in waters of the Republic of China and that, while the Government of the Republic of China reserves the right to limit the coasting trade and inland navigation to the Chinese flag, the Government of the Republic of China does not contemplate applying restrictions which would have the effect of making material alterations in the existing practice pending the making of further arrangements between the two governments. It is further understood that it is the concept and intention of the Government of the Republic of China and the Government of the United States of America that questions in regard to coasting trade and inland navigation will be resolved on the basis of what is normal and usual in modern international treaties between friendly countries."

Four. We perceive no objection to the British Government's expressing to the Chinese Government the hope that the Chinese Government will continue to maintain the administration of the customs service as at present constituted both in China's own interests and those of the holders of bonds secured by the customs' revenue. We do not, however, for our part, feel in position to make reference to the matter in the proposed exchange of notes or to make to the Chinese Government any formal representations in the matter in connection with this treaty.

Five. As regards the Chinese suggestion that there be inserted in the exchange of notes a sentence in regard to questions "which affect the sovereignty" of China, we assume, and the Chinese Embassy here has indicated to us that it similarly assumes, that this sentence is intended to cover various possible questions such as the employment of a foreign national as Inspector General of the Chinese Maritime Customs, the employment of foreign engineers, et cetera, for certain railways, et cetera. We, for our part, are prepared to accept the Chinese suggestion as indicated in our no. 5914, November 24, 7 p. m.

Six. It is believed that, with the above, we have now reached substantial agreement with the British Government or have come as closely as is possible within the necessary framework of our concepts, policies, and practices to paralleling the British suggestions. We accordingly expect, unless the British Government has in mind modifications that will be compatible with the requirements of the situation from the point of view which we feel impelled to adopt, to proceed, along the lines we have indicated, with the preparation of a document to be handed to the Chinese Embassy on Friday, November 27 (or at the latest on Saturday, November 28) in reply to the Chinese document presented to us on November 10.

HULL

793.003/1010 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, November 26, 1942—2 p. m.

1152. Your 1385, November 24, 1 p. m. In the light of Dr. Soong's statements on the subject of the draft treaty on extraterritoriality, especially those in regard to his instructions to the Chinese Ambassador here, it is believed that the negotiations may be regarded for all practical purposes as having been concluded. While it will not be possible to sign the treaty today or within the next few days because we must meanwhile obtain formal acceptance by the Chinese of our reply to their document of November 10, it is suggested that the purposes which Dr. Soong seems to have in mind in connection with the current session of the Central Executive Committee might be served by announcement by the Generalissimo at the final meeting of the Committee on November 28 to the effect that the negotiations have been concluded and that this Government and the Chinese Government are in agreement in regard to the draft text of the treaty.

We expect to hand to the Chinese Embassy here on Friday, November 27, our reply to their document of November 10. Our reply will represent a most earnest effort to meet Chinese wishes. Our counter-suggestions are largely concerned with matters of phraseology and, except possibly for questions of coasting trade and inland navigation (which have not been discussed in any detail with Chinese representatives here), our impression from our discussions with the Chinese is that our counter-suggestions will be readily acceptable to the Chinese. Our suggestions in regard to coasting trade and inland navigation were formulated in the light of Chinese insistence that these questions be covered in the draft treaty or notes supplemental thereto. We believe that they also should be acceptable to the Chinese, but if not these two matters can well be reserved for negotiation in connection with the comprehensive treaty on commerce, navigation, et cetera which the two Governments expect to conclude subsequently, especially as they have no actual relation to the question of extraterritorial jurisdiction and would much more appropriately fall within the purview of the contemplated comprehensive treaty.

HULL

793.003/1012 : Telegram

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

LONDON, November 27, 1942—2 p. m.

[Received November 27—10:40 a. m.]

6681. I have just received from Mr. Eden a letter dated November 26 enclosing the following comments on the Department's 5859, November 21, 3 p. m.

“(1) If it should prove necessary to make provision for ‘most favored nation treatment’ in any respect in the present treaty (which is not at present the case) the Foreign Office are ready to adopt the expedient suggested by the Department of State. As regards coastal trade and inland navigation, please see under section three of the Foreign Office memorandum of the 23rd November (Embassy's 6608, November 24, 2 p. m.)

(2) The Foreign Office would be grateful to be informed of the reception which the Chinese Government give to the proposal for expanding the preamble. For their part they would have no objection to introducing the principle of equality in this way into the British treaty. It should be mentioned that the Chinese Government have proposed the omission of the words ‘and for this purpose do settle certain matters relating to jurisdiction in China’ from the preamble of the British draft.

(3) It seems to the Foreign Office preferable to retain the original wording of the second paragraphs of articles II and III of the United States treaty if this can conveniently be done, since the phrase concerning ‘legitimate rights’ provides some protection for respectable private interests in the areas which are being handed over. It is not our intention to ask that such interests should be indefinitely maintained if they are in conflict with the Chinese laws and regulations; but it is reasonable to require that if they are expropriated or otherwise liquidated adequate compensation should be paid. The Foreign Office would suggest that the matter be further discussed with the Chinese Government on these lines.

(4) The Foreign Office agree with the proposed amendment of article IV (article V of the British draft) which should be satisfactory to the Chinese Government.”

I have passed on to Mr. Eden the message contained in the Department's 5931, November 25, 7 p. m.

WINANT

793.003/988 : Telegram

*The Secretary of State to the Ambassador in the United Kingdom
(Winant)*⁹²

WASHINGTON, November 27, 1942—3 p. m.

5960. We have altered the language of our proposed preamble to the treaty on extraterritoriality to read as follows:

“The United States of America and the Republic of China, in recognition of the friendly relations which have long prevailed between their two peoples and of their common desire as equal and sovereign States that the high principles in the regulation of human affairs to which they are committed shall be made increasingly effective, have resolved et cetera.”

In handing to the Chinese Embassy here our reply to their document of November 10, we intend, for the sole purpose of cooperating to the fullest possible extent with the British Government, to suggest that the signing of the treaty be deferred for a few days, say, approximately 10 days, and to say that we hope that our treaty with the Chinese and the British treaty with the Chinese may be signed at about the same time.

HULL

793.003/11-2742

*Memorandum of Conversation, by the Assistant Chief of the Division
of Far Eastern Affairs (Acheson)*

[WASHINGTON,] November 27, 1942.

Mr. Liu called at the Department, upon request, at 4:00 p. m. today in the absence from Washington of the Chinese Ambassador and was received by Mr. Hornbeck and Mr. Acheson.

Mr. Hornbeck stated to him that we had prepared a reply to the Chinese document of November 10 suggesting a number of modifications of the draft treaty; that in making the counter-suggestions contained in our reply we had exerted our best efforts to meet Chinese wishes and felt that we had now come close to complete agreement and that negotiations in the matter could be regarded as practically ended; and that as regards the Chinese suggestions for an additional article to be Article I we had formulated a new preamble for the treaty which we felt would go far toward meeting Chinese desires in that respect.

Mr. Hornbeck then asked Mr. Liu to read the new preamble, which Mr. Liu did with apparent satisfaction, and Mr. Acheson mentioned that he thought that the reference therein to the United States and China “as equal and sovereign States” very closely approached what

⁹² Repeated to the Ambassador in China in Department's telegram No. 1155, November 27, 3 p. m.

the Chinese had in mind in connection with their suggested new Article I.

Mr. Hornbeck went on to say that we had had intimations that Dr. Soong, the Chinese Foreign Minister, now in Chungking, felt about as we did that the negotiations were practically, except for matters of phraseology, at an end, and that agreement had been reached. Mr. Liu replied that the Chinese Embassy here had also received indications that Dr. Soong felt as we did and that the Chinese side should not be too insistent in regard to its suggestions for modification of the draft.

Mr. Hornbeck stated that we proposed that the treaty be signed in roughly ten days' time; that this period would permit the British to catch up; that we thought it would be appropriate if our treaty with the Chinese and the British treaty with the Chinese should be signed at about the same time, although not necessarily at the same hour or on the same day; that we had no idea, and we were sure that the Chinese had no idea, of rushing the British in the matter and we did not wish to create an impression anywhere that we had any desire to "scoop" the British; that the British had been most cooperative in connection with the whole question and we appreciated that and we also appreciated the willing understanding and cooperation shown by the Chinese Government.

Mr. Liu stated that he would have the document telegraphed to Chungking, thanked Mr. Hornbeck for the Department's efforts, and then accompanied Mr. Acheson to the latter's office.

In Mr. Acheson's office Mr. Liu read over the document carefully and there ensued some informal discussion of various points. Mr. Liu expressed himself as feeling that the Chinese Government would be very gratified with the suggested new preamble and would be gratified with our reply on the whole, adding that there seemed to be nothing in the way of phraseology which could not be readily adjusted.

Mr. Acheson remarked that, in regard to the question of inland navigation and coasting trade, these matters were not related to extraterritoriality and perhaps might more appropriately be covered in the later comprehensive treaty which the two Governments contemplated. He said further that, as Dr. Soong had mentioned these matters before his return to China and as the Chinese Embassy had brought them up several times, we had attempted to cover them in a general way in the proposed supplemental exchange of notes; that we had tried to meet Chinese wishes in the matter; that there appeared to be one of three things which might be done in regard to those questions: the handling of them in the supplemental exchange of notes as suggested in our document of today, the insertion in the treaty of a full article along the lines of the articles on those subjects in our

modern comprehensive treaties with other countries, or just dropping the matters and reserving them for discussion in the later treaty with China.

As regards the reference in the supplemental note to cases pending before the United States Court for China and the American Consular Courts in China, Mr. Atcheson stated that it was our understanding that these cases consisted of one or two bank receiverships and a number of estate cases; that the Swiss authorities were at the present time administering some of the estate cases in an informal manner and we assumed that if any of them continued pending after the war there would be no objection on the part of the Chinese Government to their being administered informally by our Consuls in the same manner that consular officers in many countries handled such matters. Mr. Liu said that he was sure that there would be no objection to such procedure.

Upon his departure Mr. Liu made repeated expressions of thanks for the Department's efforts in the matter.

G[EOERGE] A[TCHESON, JR.]

793.003/11-2742

*The Department of State to the Chinese Embassy*⁹³

Careful consideration has been given to the suggested modifications of the draft treaty on extraterritoriality which the Department received from the Chinese Embassy on November 10, 1942.

One. As regards paragraph one of the Chinese suggestions, the Government of the United States suggests, in a sincere desire to meet appropriately the wishes of the Chinese Government in this matter, that this question might appropriately be covered in the preamble of the treaty and that the language of the preamble accordingly might be altered to read as follows:

“The United States of America and the Republic of China, in recognition of the friendly relations which have long prevailed between their two peoples and of their common desire as equal and sovereign States that the high principles in the regulation of human affairs to which they are committed shall be made increasingly effective, have resolved to conclude a treaty for the adjustment of certain matters in regard to jurisdiction in China and related questions, and have appointed et cetera.”

Two. As regards paragraph two of the Chinese suggestions, it may be mentioned that the adjective “legitimate” was used in the Amer-

⁹³ Handed on November 27 to the Minister Counselor of the Chinese Embassy by Mr. Hornbeck and Mr. Atcheson (see memorandum of conversation, *supra*). A summary was sent to the Ambassador in China in Department's telegram No. 1159, November 27, 7 p. m.

ican draft to describe the rights in question and it would accordingly seem that the additional language suggested by the Chinese Government is not necessary. However, if after further consideration the Chinese Government should prefer, the Government of the United States for its part would be willing to delete from the end of the second paragraph of Articles II and III of the American draft treaty the words "and for the recognition and protection of all legitimate rights therein", thereby eliminating any basis for the additional clause in question suggested by the Chinese Government.

Three. (a) As regards the first item of paragraph three of the Chinese suggestions, the Government of the United States would be agreeable, if it is considered by the Chinese Government that the term "fraud" in the American draft is too narrow in a technical legal sense, to altering the particular language in question to read, "it is agreed that such existing rights or titles shall be infeasible and shall not be questioned upon any ground except upon proof, established through due process of law, of fraud or of fraudulent or other dishonest practices in the acquisition of such rights or titles, it being understood that no right or title shall be rendered invalid by virtue of any subsequent change in the official procedure through which it was acquired".

(b) The Government of the United States concurs in the addition in the second paragraph of Article IV of the American draft of the first part of the proposed sentence, as follows: "It is also agreed that these rights or titles shall be subject to the laws and regulations of the Republic of China concerning taxation, national defense and the right of eminent domain." As regards the further language proposed by the Chinese Government that such rights or titles may not be alienated to the government or nationals of any third country without the express consent of the Chinese Government, if after further consideration the Chinese Government continues in its desire to include in Article IV a provision along those lines, the Government of the United States would not be inclined to raise objection provided that the Chinese Government for its part should see its way clear to making a declaration in a supplemental note to the effect that the restriction on the right of alienation of existing rights and titles to real property in question would be applied in an equitable manner and that if and when the Chinese Government should decline to give assent to a proposed transfer the Chinese Government would undertake, if the American party in interest should so desire, to take over the right or title in question and pay adequate compensation therefor.

Four. The Government of the United States is prepared, in response to the wish of the Chinese Government, to concur in the deletion from Article V of the American draft of the words "and to the carrying

on of commerce", and is agreeable to deferment of this subject for regulation in the comprehensive treaty to be negotiated in future.

Five. As regards the amendment to Article VI of the American draft proposed by the Chinese Government, it has been the concept and assumption of the Government of the United States that upon the abolition of extraterritoriality and related special rights in China the Chinese Government would of course wish to accord to the United States, its officers and other nationals rights similar to those normally enjoyed in friendly countries under modern international practice. In the light of this concept and assumption and of the favorable attitude which this Government has adopted and is prepared to continue toward requests of the Chinese Government for the opening of Chinese consular offices in American territory, and in the expectation that the Chinese Government would not perceive objection to the opening of American consular offices at such places in China as would be appropriate, this Government would be inclined not to raise objection to the suggested change.

Six. As mentioned heretofore, it has been the concept of the Government of the United States that the interests of both countries could best be served at this time by the conclusion of a brief treaty along broad general lines and containing no unnecessary particularization. Nevertheless, while some of the matters mentioned in the suggested exchange of notes (such as special courts in the International Settlements at Shanghai and Amoy) would seem to be covered in general by the provisions of the draft treaty, and some other points (such as inland navigation and the visits of foreign warships) are not actually related to the question of extraterritoriality, the Government of the United States perceives no objection to an exchange of notes covering various matters of interest to either Government.

In this connection there is appended a suggested new draft note from the Chinese Government to cover various questions raised by the Chinese Government, including the questions of coasting trade, inland navigation and visits of naval vessels, as well as matters which the Government of the United States would, for its part, wish to be covered in such exchange of notes. As regards the questions of coasting trade, inland navigation and visits of naval vessels, these questions were mentioned by the Chinese Foreign Minister before his recent departure for China and the Chinese Government appears to desire that these subjects be covered in the exchange of notes supplemental to the treaty; accordingly the Government of the United States has endeavored to meet the Chinese wishes in this respect in an appropriate manner.

WASHINGTON, November 27, 1942.

[Annex]

Draft Exchange of Notes Between the United States and China

., 1942.

EXCELLENCY: Under instruction of my Government, I have the honor to state that in connection with the treaty signed today by the Government of the Republic of China and the Government of the United States of America, in which the Government of the United States of America relinquishes its extraterritorial and related special rights in China, it is the understanding of the Government of the Republic of China that the rights of the Government of the United States of America and of its nationals in regard to the systems of treaty ports and of special courts in the International Settlements at Shanghai and Amoy and in regard to the employment of foreign pilots in the ports of the territory of China are also relinquished. In the light of the abolition of treaty ports as such, the Government of the Republic of China desires to make known that the following ports in its territory are considered to be open to overseas merchant shipping of the United States of America: [It is assumed that here the Chinese Government will wish to insert the names of the ports which are normally open to foreign commerce with, and to the overseas merchant shipping of, friendly countries.]²⁴

As regards the question of the treatment of overseas merchant shipping, it is mutually understood that the vessels of each country shall be permitted freely to come to the ports, places, and waters of the other country which are or may be open to overseas merchant shipping and that the treatment accorded such vessels in such ports, places, and waters shall be no less favorable than that accorded to national vessels and shall be as favorable as that accorded to the vessels of any third country.

It is mutually understood that the Government of the United States of America relinquishes the special rights which naval vessels of the United States of America have been accorded in the waters of the Republic of China and that the Government of the Republic of China and the Government of the United States of America shall extend to each other the mutual courtesy of visits by their warships in accordance with international usage and comity.

While the question of rights in connection with the coasting trade and inland navigation in the waters of the Republic of China is not related to extraterritorial jurisdiction and is a matter which it is appropriate to reserve for the comprehensive treaty of commerce, navigation, et cetera which is to be negotiated subsequently by the two Governments, it is mutually understood that the Government of the

²⁴ Brackets appear in the original.

United States of America relinquishes the special rights which vessels of the United States have been accorded in connection with the coasting trade and inland navigation in waters of the Republic of China and that, while the Government of the Republic of China reserves the right to limit the coasting trade and inland navigation to the Chinese flag, the Government of the Republic of China does not contemplate applying restrictions which would have the effect of making material alterations in the existing practice pending the making of further arrangements between the two Governments. It is further understood that it is the concept and intention of the Government of the Republic of China and the Government of the United States of America that questions in regard to coasting trade and inland navigation will be resolved on the basis of what is normal and usual in modern international practice between friendly countries.

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.

[If the Chinese suggestion of a reference to a restriction on the right of alienation of existing rights and titles to real property is included in Article IV:]⁶⁵ With reference to Article IV of the treaty, the Government of the Republic of China hereby declares that the restriction on the right of alienation of existing rights or titles to real property referred to in that article will be applied by the Chinese authorities in an equitable manner and that if and when the Chinese Government declines to give assent to a proposed transfer the Chinese Government will, in a spirit of justice and with a view to precluding loss on the part of American nationals whose interests are affected, undertake, if the American party in interest so desires, to take over the right or title in question and to pay adequate compensation therefor.

It is mutually understood that the orders, decrees, judgments, decisions and other acts of the United States Court for China and of the Consular Courts of the United States of America in China shall be considered as *res judicata* and shall, when necessary, be enforced by the Chinese authorities. It is further understood that any cases pending before the United States Court for China and the Consular Courts of the United States of America in China at the time of the coming into effect of this treaty shall, if the plaintiff or petitioner so desires, be remitted to the appropriate courts of the Government of the Republic of China which shall proceed as expeditiously as pos-

⁶⁵ Brackets appear in the original.

sible with their disposition and in so doing shall in so far as practicable apply the laws of the United States of America.

I shall be much obliged if Your Excellency will confirm the foregoing.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.

793.003/1014 : Telegram

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

LONDON, November 27, 1942—10 p. m.

[Received November 27—6:06 p. m.]

6708. Department's 5931, November 25. The following letter has just been handed to me from Mr. Eden. I am telegraphing it on to you at once.

"The Foreign Office greatly regret the decision of the Department of State not to ask for national treatment in the carrying on of commerce. They hope that this decision may yet be reconsidered in the light of (a) the serious effect which the omission would have on the later comprehensive treaty in a matter of such capital importance; and (b) the fact that the relevant article as drafted between us is in a highly tentative form. "Will endeavour to accord etc." This matter is to be considered by the Cabinet on Monday, 30th November, and the Foreign Office very much hope that the American communication to the Chinese Embassy can be delayed until then.

As at present advised, the Foreign Office think it most likely that the Cabinet will feel unable in any event to abandon the principle of national treatment for our commerce in China to which they attach great importance. It is probable, therefore, that they will decide that this point should be insisted upon with the Chinese Government though they would naturally regret having to do this alone."

WINANT

793.003/1020 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, November 30, 1942—3 p. m.

[Received December 1—6:12 a. m.]

1407. In conversation with me this morning Foreign Minister referred to the American reply to Chinese proposals regarding treaty and said that China would like to stick to the original text of proposed exchange of notes so far as concerns inland navigation and coastal shipping. He said China places much importance on this point. He remarked that heretofore the only American observation on proposed exchange of notes had been to suggest insertion of word

foreign before word pilots. He is instructing Chinese Ambassador Washington but said that meanwhile he wished to mention matter to me. He made no other comments regarding treaty.

British Ambassador tells me that London has asked for an explanation of what is meant in last sentence of Chinese draft of exchange of notes by statement in regard to discussion and settlement of matters which affect Chinese sovereignty. He proposes to ask Foreign Minister for explanation.

GAUSS

793.003/1020 : Telegram

The Secretary of State to the Ambassador in China (Gauss) ⁹⁶

WASHINGTON, December 1, 1942—2 p. m.

1170. Your 1407, November 30, 3 p. m., treaty on extraterritoriality. As indicated in the document handed to the Chinese Embassy by the Department on November 27, mention of the questions of coasting trade and inland navigation by Dr. Soong before his departure for China and the raising of them since in the Chinese document of November 10 and orally by the Chinese Embassy led us to believe that the Chinese Government desired that they be covered in connection with the treaty and we accordingly made endeavor to meet the Chinese wishes in this respect in an appropriate manner. In handing to the Chinese Minister Counselor on November 27 our document in reply to the Chinese document of November 10, we remarked to him that the questions of inland navigation and coasting trade were not related to extraterritoriality and might more appropriately be covered in the later comprehensive treaty which the two Governments contemplate; and that there appeared to be one of three things which might be done in regard to those questions: the handling of them in a supplemental exchange of notes as suggested in our document of November 27, the insertion in the treaty of a full article along the lines of the articles on those subjects in our modern comprehensive treaties with other countries (Department's 1075, November 13, 11 a. m., ⁹⁷ paragraph numbered 3 first quoted subparagraph minus reference to naval vessels; and pertinent quoted portion of subparagraph numbered 1 of Department's 1127, November 21, 3 p. m.⁹⁸), or just dropping the matters and reserving them for discussion in connection with the later treaty.

We do not have any especial choice in the matter, our principal desire having been to meet Chinese wishes in so far as practicable. How-

⁹⁶ Substance of this telegram as well as of telegram No. 1407, November 30, 3 p. m., from the Ambassador in China, repeated to the Ambassador in the United Kingdom in Department's telegram No. 6057, December 1, 9 p. m.

⁹⁷ See footnote 69, p. 345.

⁹⁸ See footnote 83, p. 360.

ever, in the light of the fact that, as previously mentioned, the matters in question do not have actual relation to extraterritoriality and might more appropriately be reserved for the later comprehensive treaty in the same way that the question of "the carrying on of commerce" in connection with Article V of our draft is being reserved for the later treaty at the request of the Chinese Government, we suggest that the solution of the problem for the present would be to omit any reference to coasting trade and inland navigation in the present treaty or supplemental notes.

In the light of Dr. Soong's remarks to you we now propose to make this suggestion to the Chinese Embassy here, but leaving the matter open for choice by the Chinese, and we request that you also, as a possible means of saving time, inform Dr. Soong of our views, hand him a copy of the article on coasting trade and inland navigation which we previously had in mind, and request that he indicate his preference.

HULL

793.003/1023 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, December 3, 1942—3 p. m.

[Received December 4—7:27 a. m.]

1427. For the Secretary and the Under Secretary. Your No. 1170, December 1, 2 p. m., received this morning. I saw Foreign Minister this afternoon and carried out your instructions. He has already instructed Chinese Embassy in reply to our document of November 27 and in reference to coastal trade and inland navigation [that he?] desires simple statement of relinquishment with added clause that China is prepared to take over any American properties that may have been engaged for those purposes and to pay adequate compensation therefor.

He does not wish to postpone this subject for treatment in later comprehensive treaty and when I asked him why he desired to cover matter by exchange of notes instead of an article in the brief treaty along the lines you propose he stated that a forthright relinquishment of these rights in simple language in the exchange of notes would have more popular appeal and appreciation in China than an article in the treaty saying China's inland and coastal trade are to be regulated by the laws of the country. He pointed out that exchange of notes covers matter of overseas vessels along lines of our proposed draft treaty article and there remains only question of inland and coastal trade which he deemed adequately covered by his answer to our document of November 27. He stated that China does not propose to allow foreign flag vessels in coastal and inland trade.

I pointed out that the last sentence of our draft treaty article seemed merely to ensure that we would be given as favorable treatment as any other nations or not be given treatment less favorable than other nations should China at any time decide in any way to permit the participation of foreign flag vessels of any nation in coastal shipping or inland navigation. He finally said he would consider adding to proposed paragraph in exchange of notes a provision that should China later in any way extend the right of inland navigation or participation in coastal trade to vessels of any third nation such rights would similarly be extended to vessels of the United States.

On question of ports open to overseas trade, he said there is no intention of naming ports but simply to refer to the coastal ports open to trade. May I point out to Department that therefore [*heretofore?*] Hankow and other lower Yangtze ports have been open to overseas vessels during high water season. When I inquired of Soong whether for example Hankow would be open to overseas vessels for direct delivery and loading of cargo in overseas trade he replied in the negative but showed interest when I commented that in the past this had facilitated foreign trade by permitting direct shipments without heavy cost of transshipments.

GAUSS

793.003/1025 : Telegram

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

LONDON, December 4, 1942—8 p. m.

[Received 10:32 p. m.]

6870. I give below the text of a letter from Mr. Eden dated December 4. Enclosed with the letter were a revised draft of the British treaty on extraterritoriality dated November 30 consisting of 5 cap-size pages single spaced, as well as a draft supplementary note and annex consisting of 2½ cap-size pages, single spaced. I am forwarding these by airgram [*airmail*]⁹⁹ but will telegraph them if the Department so instructs me.

Begin Mr. Eden's letter of December 4:

"Many thanks for your letters of the 28th (Department's 5960, 5961, 5973¹) and 30th November (Department's 6022²) concerning extraterritoriality.

With regard to the suggestion made in the second message enclosed in your letter of the 28th November, we readily concur in the proposal

⁹⁹ Despatch No. 6596, December 7, not printed.

¹ Telegrams Nos. 5961 and 5973, November 27, 4 p. m., and 10 p. m., respectively, not printed.

² Telegram No. 6022, November 29, noon, not printed.

that the Netherlands' Foreign Minister should be furnished in strict confidence with the revised texts of the draft treaty. I shall arrange for a copy of our revised text to be communicated to Dr. Van Kleffens.

We have also been approached several times by the Norwegian Government who have informed the Chinese Government of their support of the declarations made to the Chinese by the United States Government and ourselves on the 9th October and are anxious to negotiate forthwith a treaty of their own. Provided the Department of State sees no objection I shall also furnish the Norwegian Government with a copy of the revised text.

Instructions were sent on the 30th November to Sir Horace Seymour³ to reply to the counter-proposals of the Chinese Government and I enclose herein a copy of the revised draft text of our own treaty, together with a draft supplementary note based on these instructions.

It will be seen that the amendments which Sir Horace Seymour has been authorized to offer follow closely those offered by the United States Government except in the following two matters:

(1) National treatment for the carrying on of commerce.

I must confirm the views which I have expressed in previous communications on this subject which are those of His Majesty's Government.

(2) Overseas merchant shipping (see point 7 in the message from the Department of State dated 29th November). (Department's 6022, November 29, noon.)

We had assumed that the message of the 25th November (see point One (6)) (Department's 5931, November 25, 7 p. m.) superseded the observations on this subject in the message of the previous day (see 1: first paragraph).⁴ Proceeding on this assumption, we have omitted from our exchange of notes any reference to a list of open ports, especially since we had hoped that with the abolition of the treaty port system it was not the intention of the Chinese Government to continue to confine foreign overseas shipping to particular ports. You will have in mind the observations on this point made in the memorandum contained in my letter of the 23rd November, under One (6) (Embassy's 6608, November 24, 2 p. m.).

It will be noted that paragraphs 3, 4, and 5 of the annex to be attached to the Sino-British exchange of notes deal respectively with the following subjects:

Restrictions on the right of travel, residence and the carrying on of commerce.

Owing to special difficulties in some of the British territories to which the treaty applies, e. g. India, it will probably be necessary for us in the exchange of notes, or in an agreed minute, to stipulate that

³ British Ambassador in China.

⁴ November 24, 7 p. m., p. 369.

nothing in the treaty shall prevent (a) application of restrictions on travel, residence and the carrying on of commerce by the nationals of one party in the territories of the other, if the same restrictions are also applied to the nationals of the latter: (b) the application in wartime of restrictions on travel and residence by the nationals of one party, imposed for the purpose of national security in the territories of the other, if the same restrictions are imposed upon all foreigners.

Personal status.

His Majesty's Government will seek Chinese agreement to the inclusion in the exchange of notes of a mutual arrangement regarding the law to be applied by the courts in all matters of personal status; and also if possible a declaration by the Chinese Government specifying the courts and prisons in which British subjects may be tried and detained.

Real property.

The future right to acquire real property in China is regarded as of great importance to British interests, and, since reciprocity can be granted in the United Kingdom and in the British colonies, His Majesty's Ambassador has been authorized to endeavor to negotiate a reciprocal arrangement covering this question, as otherwise British subjects will be placed at a disadvantage with the nationals of Belgium, Denmark, Portugal and Spain, whose Governments concluded treaties with China in 1928 containing a declaration on this point. It may, however, be necessary to exclude India and Burma from the scope of any such arrangement.

On the question of alienation of real property we are agreeing to the restricting phrase at the end of article V (1) on the clear understanding that the Chinese Government agree to paragraph 2 of the annex to the draft exchange of notes. We presume that the United States Government will continue to insist on a similar condition." End Mr. Eden's letter.

WINANT

793.003/1027: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, December 5, 1942—1 p. m.

[Received 2:10 p. m.]

1439. For the Secretary and Under Secretary. Reference my 1427, December 3, 3 p. m. I now learn that Chinese reply to our document of November 27 will carry proposal that on subject of coastal shipping and inland navigation the exchange of notes shall include statement that should China later in any way extend the right of inland navigation or participation in coastal trade to vessels

of any third nation, such rights would similarly be extended to American vessels.

GAUSS

793.003/1023 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, December 6, 1942—2 p. m.

1193. Your 1427, December 3, 3 p. m.

1. Dr. Soong's reference to his desire for a simple statement of "forthright relinquishment" of rights of inland navigation and coasting trade leads us to wonder whether our 1170, December 1, 2 p. m., was garbled or not clearly understood, as the first paragraph of our proposed article reads: "The Government of the United States of America relinquishes the special rights which vessels of the United States of America have been accorded with regard to the coasting trade and inland navigation in the waters of the Republic of China." If the text you furnished Dr. Soong did not include this paragraph please communicate it to him immediately.

In any case please call upon the Chinese Foreign Minister as soon as feasible. You may in your discretion say to him, as we have said to Chinese representatives here, that in proposing the brief treaty our concept has been that it would effect abolition of extraterritorial and other special rights and take care of such related matters as would require attention because of abolition of extraterritoriality; that we had hoped to avoid extraneous matters and matters of particularization which might cause the negotiations to be prolonged and which might more appropriately be reserved for the later comprehensive treaty; that we have had no thought of seeking to reserve or obtain anything that is not usual and normal in modern international practice between friendly countries; that in a wholehearted spirit of friendship and a similarly wholehearted desire to wipe out existing anomalies in our relations with China, we have not made any effort to bargain; that we have of course gone on the assumption that the Chinese Government has had in mind objectives identical with ours and would wish, as strongly as we wish, to see our relations placed through the medium of the brief treaty upon the basis of what is normal, usual, equitable and just.

In the light of these considerations we feel that, now that purely commercial matters have been brought into the discussions, it is only reasonable and fair for us to expect that the Chinese Government would not desire that the treaty or exchange of notes have any appearance of providing for possible discrimination against American commercial interests as compared to the commercial interests of any other countries.

Dr. Soong will realize, we are sure, that we here also have problems of public and official opinion and that we would be subject to heavy criticism if in concluding agreements with other countries we do not take care to provide for equitable and legitimate protection of American commercial interests. For that reason we proposed as our second preference the full draft article on inland navigation and coasting trade along the lines of articles on those subjects in our modern treaties with other countries. We feel strongly that if our relinquishment of existing rights with respect to those matters is covered in the treaty or in the proposed exchange of notes, the question of our rights vis-à-vis rights of third countries should also be adequately covered. The formula Dr. Soong is considering does not, in the form which he mentioned, accomplish that purpose.

2. We have not yet received from the Chinese Embassy here its reply to our document of November 27.

HULL

793.003/1028 : Telegram

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

LONDON, December 7, 1942—11 p. m.

[Received 11:20 p. m.]

6931. I have just received from Mr. Eden the following letter and enclosure dated December 7:

Begin Mr. Eden's letter:

"Many thanks for your letter of the 2d December enclosing a message from the Department of State of the 1st December concerning coastal trade and inland navigation in China. (Department's 6057, December 1, 9 p. m.)⁵

I enclose herein our comments on this subject which I hope will be taken into consideration by your Government. It is nevertheless to be feared that as a draft article making the maximum concession to the Chinese has already been shown to the Chinese Minister for Foreign Affairs the possibilities of negotiation will have been severely limited.

I take this opportunity to point out that on several occasions in the latest phase of the discussions the United States Government have, with the object of saving time, conceded to the Chinese points of great importance to His Majesty's Government before our Ambassador in Chungking could be in a position to discuss them with the Chinese Government.

⁵ See footnote 96, p. 384.

While we realize the political advantages of concluding an agreement without undue delay and appreciate to the full the collaboration of the United States Government in this matter, we are dealing with questions of the greatest importance to our commercial, financial and shipping interests in the Far East and the decisions which we reach now will have an inevitable effect on the negotiations for the comprehensive modern treaty to be concluded subsequently. We should have hoped therefore that before these decisions were taken we should have had sufficient time to consider the points at issue and to arrive at an agreement with the Chinese Government by orderly process of negotiation.

We do not feel that the reasons given by the Chinese Minister Counsellor in Washington for asking that the whole matter should be rushed through within a very brief period were of sufficient weight to override these considerations; and indeed according to my information the last session of the Central Executive Committee of the Kuomintang took place on the 2d December.

I observe from the message from the Department of State dated 27th November (Department's 5960, November 27, 3 p. m.) contained in your letter of the 28th November that the Department intend, for the sole purpose of cooperating with His Majesty's Government, to suggest to the Chinese that the signing of the treaty be deferred for approximately 10 days. I shall be grateful if you will inform me from what date the 10 days will run." End Mr. Eden's letter.

Begin Foreign Office comments:

"The Foreign Office notes that in regard to coastal trade and inland navigation the Department of State have indicated to the Chinese three possible methods of proceeding and have requested the United States Ambassador at Chungking to show the Chinese Minister for Foreign Affairs the draft article on navigation previously contemplated by the Department for inclusion in the treaty.

The Foreign Office greatly prefer the original suggestion made in the Department's communication to the Chinese Embassy of 27th November. (Department's 6022, November 29, noon^e). Sir Horace Seymour has been requested to make a similar proposal and we propose that he should make every effort to secure its acceptance. We trust that the Department of State will feel able to do the same.

If this cannot be achieved we should prefer that the whole matter should be reserved for the latter [*later?*] comprehensive treaties as suggested in the Department's third course. The first solution from our point of view would be the inclusion of an article on the lines proposed, since its insertion in the United States treaty would make

^e Not printed.

it much more difficult for us to obtain an understanding whereby the existing practice or some part of it would be retained on a reciprocal basis." End Foreign Office comment.

WINANT

793.003/12-842

*The Chinese Embassy to the Department of State*⁷

MEMORANDUM

After having given careful consideration to the memorandum of the United States Government proposing certain modifications to the draft treaty, and the accompanying exchange of notes, the Chinese Government, in view of the particularly cordial relations existing between the two countries, has decided to accept all the proposed modifications of the United States Government, with the sole exception of that paragraph which concerns coasting trade and inland navigation in the waters of the Republic of China. The Chinese people attach the highest importance to the question of coasting trade and inland navigation, and in consequence the Chinese Government is specially anxious that it be dealt with in as clear-cut a manner as the question of visits by foreign warships in Chinese territorial waters. Accordingly, the Chinese Government desires to state as follows.

A. With reference to American modifications of draft treaty:—

1. Since the United States Government finds difficulty in accepting the Chinese proposal of Article I on equality and reciprocity and has embodied its principle in the revised text of the Preamble, the Chinese Government agrees to withdraw the proposed Article entirely.

2. Likewise, in regard to the end of the second paragraph of Articles II and III of the American draft—"and for the recognition and protection of American legitimate rights therein", the Chinese Government is ready to meet the wish of the United States Government and agrees to withdraw its proposed additional language reading as follows:

"always provided that such rights are consonant with the laws and regulations of the Republic of China".

3. With regard to the first item of paragraph three of the Chinese suggestions concerning "fraud" in the American draft, the Chinese Government accepts the American revision reading as follows:

"of fraud or of fraudulent or other dishonest practice in the acquisition of such rights or titles, it being understood that no rights or title shall be rendered invalid by virtue of any subsequent change in the official procedure through which it was acquired."

⁷ Handed to the Assistant Chief of the Division of Far Eastern Affairs by the Minister Counselor of the Chinese Embassy on December 8, 1942.

4. With regard to the first part of the Chinese proposed addition to Article IV of the American draft, which reads "It is also agreed that these rights or titles shall be subject to the laws and regulations of the Republic of China concerning taxation, national defense and the right of eminent domain", the Chinese Government appreciates the American concurrence therein.

5. With regard to the second part of the Chinese proposed addition to the same Article concerning alienation of rights and title to the government or nationals of a third country, the Chinese Government, after due consideration, is still desirous of maintaining the Chinese proposal but is willing to make a declaration in the accompanying exchange of notes in the terms of the United States Government.

6. The Chinese Government appreciates the concurrence of the United States Government in the deletion from Article V of the American draft the words "and to the carrying on of commerce" and also its concurrence with the Chinese view concerning the opening of consular offices.

B. With reference to the American revision of the proposed exchange of notes:

1. The first paragraph of the American version up to and including the words "employment of foreign pilots in the ports of the territory of China are also relinquished" is accepted without any change.

As regards ports to be opened to American overseas merchant shipping, the Chinese Government, in lieu of naming the various ports specifically, proposes the following clause:

"In the light of the abolition of treaty ports as such, it is understood that all coastal ports in the territory of the Republic of China which are normally open to American overseas merchant shipping will remain open to such shipping after the coming into effect of the present treaty and the accompanying exchange of notes."

2. As regards the second paragraph concerning treatment of overseas merchant shipping, and the third paragraph concerning visits by warships, the Chinese Government concurs with the American draft.

3. As for coasting trade and inland navigation, the Chinese Government desires to reiterate the importance it placed on this question and proposes, in replacement of the fourth paragraph in the American draft, the following clause, namely:

"It is mutually understood that the Government of the United States of America relinquishes the special rights which vessels of the United States of America have been accorded in connection with the coasting trade and inland navigation in waters of the Republic of China and that the Government of the Republic of China is prepared to take over any American properties that may have been engaged for those purposes and to pay adequate compensation therefor. It is further understood, however, that should the Republic of China later in any way

extend the right of inland navigation or participation in coastal trade to vessels of any third nation, such rights would similarly be extended to vessels of the United States of America."

4. All the remaining American version of the exchange of notes, i. e. beginning with the words "It is mutually understood that questions which are not covered by the present treaty and exchange of notes" down to the end of the draft, is acceptable in their entirety.

WASHINGTON, December 7, 1942.

793.003/12-842

Memorandum of Conversation, by the Assistant Chief of the Division of Far Eastern Affairs (Atcheson)

[WASHINGTON,] December 8, 1942.

Mr. Liu called by appointment at three o'clock this afternoon. He handed me the Chinese reply, dated December 7,⁸ copy attached, to our document of November 27, and requested that I read it and give him my comment. Mr. Liu remarked that he thought that we were now "very close together" in the matter.

I read over the document and said that it seemed to me from this casual reading that we had, as he mentioned, become very close in the matter and that there appeared to remain chiefly only one point of much importance for further discussion—the interrelated questions of inland navigation and coasting trade. I pointed out to Mr. Liu what was apparently an error, possibly resulting from poor telegraphic transmission, in paragraph B (1) (page three) of the document, and Mr. Liu corrected it after telephoning to the Chinese Embassy.

As regards the questions of inland navigation and coasting trade, I said that we had heard from Ambassador Gauss in Chungking to the effect that the Chinese Foreign Minister had had in mind proposing the formula suggested in the last sentence of the quoted portion of paragraph B (3) (page 4) of the Chinese document of December 7. I went on to make comment along the lines of the Department's telegram to Chungking, no. 1193, of December 6, 2 p. m., including the statements, which I emphasized, (1) that we were sure that the Chinese Government would not wish that there be in the treaty or exchange of notes any appearance of providing for possible discrimination against our commercial interests as compared to the commercial interests of any other countries and (2) that it was only reasonable and fair for us to expect that, if the treaty or proposed exchange of notes covered our relinquishment of existing rights in inland navigation

⁸ *Supra.*

and coasting trade, there should also be adequately covered the question of our rights vis-à-vis rights of third countries.

I carefully explained to Mr. Liu the reasons for our feeling strongly in this regard. I said that the American people, we were sure, were whole-heartedly in favor of the relinquishment of our extraterritorial rights in China. I said that I felt that the American people as a whole would also approve of the relinquishment of special rights not actually related to extraterritoriality such as our special rights of inland navigation and coasting trade; but I was also sure that we would be subject to heavy criticism if the treaty or exchange of notes contained language which *prima facie* indicated that the way was left open for discrimination against American commercial rights as compared to the rights of third countries. I said that it was a cardinal tenet of our commercial treaty policy to ensure in any treaties or agreements with other governments that the language thereof should give equitable and legitimate protection to American commercial interests as compared to the interests of third countries. I mentioned that, as Mr. Liu was aware, under our system of government it was necessary for treaties to be approved by the Senate and that it was my impression that the Senate was consistently careful in all such matters to see that legitimate American commercial interests were given adequate protection in our treaties with other countries.

Mr. Liu indicated that he understood the situation clearly and was not unsympathetic with the point of view which I had presented to him.

I told Mr. Liu that we would study the Chinese document and furnish a formal reply in due course.

The conversation as usual was extremely friendly and cordial.

GEORGE ATCHESON, JR.

793.003/1032 : Telegram

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

LONDON, December 9, 1942—6 p. m.
[Received December 9—5: 15 p. m.]

6970. With reference to the draft of a supplementary note furnished me by Mr. Eden in his letter of December 4 (my 6870, [December] 4, 9 [8] p. m. and my 6914, December 7, 4 p. m.⁹). I have just received the following communication from Mr. Eden dated December 8 reading in part as follows.

“We have now instructed our Ambassador at Chungking to propose that paragraph 1 (g) of the annex to the note, on the subject of

⁹ Latter telegram not printed.

coastal trade and inland navigation, should be altered so as to bring out more clearly the reciprocal nature of the arrangements which we are asking the Chinese Government to accept. Our suggested alteration is that the second half of paragraph 1 (*g*) after the words 'coastal trade and inland navigation of the Republic of China' shall be amended to read:

'And the Republic of China relinquishes its rights under article 12 of the convention signed at London on 1st March, 1894, relating to navigation on the river Irrawaddy: The Government of the Republic of China on the one hand, and the Governments of the United Kingdom and of India on the other hand, while reserving the right to restrict the coastal trade and inland navigation to vessels flying their own flags declare that they do not contemplate introducing restrictions which will prevent the participation by merchant vessels of His Majesty in these trades in China or the participation of Chinese merchant vessels in these trades in the territories of His Majesty to which the treaty applies, pending the making of further arrangements between them or the conclusion of the comprehensive treaty referred to in article 8.'

The effect of this amendment would be that the Chinese give up their treaty right to navigate the Irrawaddy River under article 12 of the Burma Convention of 1894, at the same time as we give up our treaty rights in China. Equally each party would promise to allow the participation of the merchant vessels of the other in coastal trade and inland navigation throughout all the territories to which the treaty applies pending further arrangements or the conclusion of the comprehensive treaty."

WINANT

793.003/1030: Telegram

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

WASHINGTON, December 9, 1942—8 p.m.

6230. 1. We received on December 8 the Chinese Government's reply to our document of November 27. The substance of the Chinese reply is as follows:

[Here follows substance of Chinese memorandum of December 7, printed on page 392.]

2. As regards (*b*) (1) above, we are inclined to adopt an attitude similar to that of the British Government as expressed in paragraph numbered 2 of Mr. Eden's letter of December 4 (your 6870, December 4, 8 p. m.) and assume that with the abolition of the treaty port system it is not the intention of the Chinese Government to confine foreign overseas shipping to particular ports. We accordingly propose not to make any further counter-suggestion to the Chinese on this point.

3. As regards the questions of inland navigation and coasting trade, which questions would seem to constitute the only remaining matter of difference between us and the Chinese, we are prepared to accept an appropriately revised wording of the formula suggested by the Chinese which would be consistent with the provisions of the draft

full article on this subject previously proposed as an alternative to reserving the matter for the later comprehensive treaty. We accordingly expect to suggest to the Chinese that the second sentence of the quoted portion of paragraph (b) (2) [3] above be revised to read as follows: "It is further understood, however, that, if vessels of any third powers are permitted to participate in the coasting trade or inland navigation, vessels of the United States of America shall be allowed the same privileges."

4. With reference to Mr. Eden's comments in his letter of December 7 (your 6931, December 7, 11 p. m.), it is requested that you inform Mr. Eden along lines as follows:

Although we have naturally been desirous, for reasons which Mr. Eden will himself of course appreciate and some of which we have referred to in previous telegrams, to expedite so far as possible the conclusion of the brief treaty on extraterritoriality, we have made no concessions to the Chinese merely for the sake of saving time. On the contrary on several occasions action which we had been desirous of taking and which we were after full consideration prepared to take has been postponed by us because of our desire to cooperate to the fullest extent possible with the British Government and in the earnest hope of reducing to a minimum the very few divergencies between our views and those of the British Government—divergencies which have arisen as a very natural result of necessary differences between our respective practices and procedures.

As previously mentioned, our concept in proposing the brief treaty has been that it would effect abolition of extraterritorial and other special rights and would take care of such related matters as might require attention because of abolition of extraterritoriality. We had, of course, hoped to avoid extraneous matters and matters of particularization which might cause the negotiations to be unnecessarily prolonged (thereby tending to lessen the psychological benefits which might be expected to accrue from the treaty) and which might more appropriately be reserved for the later comprehensive treaty. From the beginning we have had no thought of seeking to reserve or to obtain from China anything that is not usual and normal in modern international relations between friendly countries and we have, it is believed, made this clear both to the Chinese Government and to the British Government. We have proceeded on the assumption that the Chinese Government has had in mind objectives identical with ours and has desired, as strongly as we have desired, to see the relations between the United States and China placed, through the medium of the brief treaty, on a basis of what is normal, usual, equitable and just in international relations.

The concept of the British Government in regard to the question of relinquishment of extraterritorial and related rights has from the out-

set of our discussions proved to be substantially the same as ours. As mentioned above, and previously in paragraph numbered three of our 5931, November 25, 7 p. m., such divergence of views as has obtained between this Government and the British Government in regard to such questions as the coasting trade and inland navigation arises from differences in the established practices and procedures of the two Governments.

Treatment of commercial subjects by this Government and treatment thereof by the British Government are necessarily affected by considerations and requirements which are not identical. As previously mentioned, we are not in position reciprocally to offer to the Chinese a simple formula suitable for inclusion in the present treaty providing for national treatment in commerce for the reason that in our consideration of such matters we must take into account difficult problems of State and Federal jurisdiction.

In addition, we are not in position reciprocally to offer the Chinese rights of coasting trade or inland navigation. Nevertheless, in an endeavor to meet British wishes, we accepted a formula designed among other things to place coasting trade and inland navigation in the category of pending matters. Accordingly we proposed to the Chinese that these matters be held in abeyance. We proposed as an alternative a formula suggested by the British Government. As a third suggested procedure we proposed the insertion of a full article on inland navigation and coasting trade along the lines of articles written into our modern treaties with other countries. The question of proposing such an article was raised with the British Government as early as October 31 and received comment in Mr. Eden's letter to you of November 12 (your 6401, November 13, midnight) to the effect that if the inclusion of an additional article in the treaty became unavoidable the British Government would be agreeable to accepting one along those general lines. As the Chinese have been insistent in dealing with the coasting trade and inland navigation in the present treaty, we did not see how we could do other than keep such action as might be decided upon within the framework of our policy not to seek special rights. Our inability to offer reciprocal rights necessitated the action which we took and which had received full consideration. In this connection we mentioned in paragraph numbered six of our 5931 that we believed that we had come as closely as is possible within the necessary framework of our concepts, policies, and practices to paralleling the British suggestions.

It may be of interest that Dr. Soong has stated categorically to our Ambassador at Chungking that China does not propose to allow foreign flag vessels to participate in coasting and inland waterways trade. If this statement accurately reflects the policy of the Chinese Govern-

ment (and our impression of the trend of Chinese official and public opinion and feeling of recent times is that it does), we, for our part, consider that we cannot do other than to recognize that China, accorded an equal and sovereign place in the family of nations, will be completely within her rights in reserving inland navigation and coasting trade to the Chinese flag.

Accordingly our decisions with respect to the points raised by Mr. Eden involve, in our view, not the making of "concessions" to the Chinese but the effecting of the relinquishment of our special and unilateral rights with no limitation other than the usual and normal limitation, which is a cardinal tenet of our general commercial policy, that our interests shall not be discriminated against as compared with the interests of third countries.

It had been our hope to have the treaty signed about December 8 or 9; signing must now, of course, await final action in regard to the questions of inland navigation and coasting trade.

HULL

793.003/1033 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, December 10, 1942—3 p. m.

[Received December 12—9:54 a. m.]

1471. For the Secretary and Under Secretary. Your 1193, December 6, 2 p. m. Foreign Minister received me this morning in presence of his legal advisers who do not find our proposed article on shipping acceptable in its present form. Briefly, it is contended that, while in the first paragraph of the article, we relinquish our special rights, the last sentence of the second paragraph might be construed by some as implying that some right[s] of coasting and inland trade continue to exist. Foreign Minister reiterated firm intention of China to insist on relinquishment of these rights by all treaty powers, commenting that if necessary China will unilaterally denounce such treaty provisions still existing.

Following redraft of proposed article was submitted for transmission to Department:

"The Government of the United States of America and the Government of the Republic of China mutually agree that the merchant vessels of each country shall be permitted freely to come to the ports, places and waters of the other country which are or may be opened to overseas merchant shipping, and that the treatment accorded to such vessels in such ports, places and waters shall be no less favorable than that accorded to national vessels and shall be as favorable as that accorded to the vessels of any third country.

The Government of the United States of America relinquishes the special rights which vessels of the United States of America have been

accorded with regard to the coasting trade and inland navigation in the waters of the Republic of China. Should either country later accord the right of inland navigation or coasting trade to vessels of any third country such rights would similarly be accorded to the vessels of the other country. The coasting trade and inland navigation of each country are excepted from the requirement of national treatment and are to be regulated according to the laws of each country in relation thereto. It is agreed however that vessels of either country shall enjoy within the territory of the other country with respect to the coasting trade and inland navigation treatment as favorable as that accorded to the vessels of any third country."

In order to meet any desire we may have for further assurance that there would be no discrimination against our vessels, the Chinese Government would be prepared to agree to an exchange of notes to following effect:

"The Chinese Government declares that it is its firm intention to limit inland navigation and coasting trade to vessels of Chinese flag, and assures the Government of the United States that under no circumstances will American interests be discriminated against vis-à-vis any third country."

Foreign Minister is instructing Ambassador at Washington in the foregoing sense.¹³

GAUSS

793.003/1033 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, December 14, 1942—8 p. m.

1225. Your 1471, December 10, 3 p. m.

1. For your confidential information, we are informing the British that we are inclined to accept the Chinese suggestion for a revision of the proposed article on inland navigation and coasting trade but that we now prefer to cover this as well as other matters relating to shipping in the exchange of notes, our reason for preference being that the Chinese suggestion contains language which does not seem from the technical drafting point of view to fall appropriately within the framework of the formal article on these subjects which we usually have in our treaties with other countries.

The appropriate portion of the exchange of notes (to follow the provisions relating to treaty ports, special courts and foreign pilots and to precede the paragraph relating to naval vessels) would accordingly read as follows:

¹³ On December 12, the Minister Counselor of the Chinese Embassy handed the note referred to above to the Assistant Chief of the Division of Far Eastern Affairs.

"It is mutually agreed that the merchant vessels of each country shall be permitted freely to come to the ports, places, and waters of the other country which are or may be open to overseas merchant shipping, and that the treatment accorded to such vessels in such ports, places and waters shall be no less favorable than that accorded to national vessels and shall be as favorable as that accorded to the vessels of any third country.

The Government of the United States of America relinquishes the special rights which vessels of the United States of America have been accorded with regard to the coasting trade and inland navigation in the waters of the Republic of China. Should either country later accord the right of inland navigation or coasting trade to vessels of any third country such rights would similarly be accorded to the vessels of the other country. The coasting trade and inland navigation of each country are excepted from the requirement of national treatment and are to be regulated according to the laws of each country in relation thereto. It is agreed, however, that vessels of either country shall enjoy within the territory of the other country with respect to the coasting trade and inland navigation treatment as favorable as that accorded to the vessels of any third country."

2. Also for your confidential information, as regards Dr. Soong's suggested additional exchange of notes mentioned in the concluding paragraphs of your telegram under reference, we do not consider that this addition is required for our purposes.

We expect shortly to be in position to inform the Chinese that the suggestion first mentioned above is acceptable and to proceed to arrange a definite date in the near future for the signing of the treaty. We shall expect to keep you informed in the premises.

3. The Department appreciates the efforts which you have made in this matter.

HULL

793.003/1030 : Telegram

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

WASHINGTON, December 14, 1942—9 p. m.

6327. Department's 6230, December 9, 8 p. m.

1. We have now received from the Chinese another suggestion in regard to questions of inland navigation and coasting trade, namely, that the sentences of our draft article on those subjects be rearranged as indicated below and that there be inserted an additional sentence reading as follows: "Should either country later accord the right of inland navigation or coasting trade to vessels of any third country such rights would similarly be accorded to the vessels of the other country."

As the last sentence of our draft is retained, our rights would seem to be given adequate protection and we accordingly are inclined to accept this suggestion and not put forth the proposal we were considering as mentioned in paragraph numbered 3 of our telegram under reference. We would prefer, and propose so informing the Chinese, that these matters now be covered in the exchange of notes rather than in an additional article to the treaty, our reason for such preference being that the Chinese suggestion contains language which from the technical drafting point of view does not seem to fall appropriately within the framework of the formal article on these subjects which we usually have in our treaties with other countries.

The appropriate portion of the exchange of notes (to follow the provisions relating to treaty ports, special courts and foreign pilots and to precede the paragraph relating to naval vessels) would accordingly read as follows:

[Here follows text quoted in telegram No. 1225, December 14, 8 p. m., to the Ambassador in China, printed *supra*.]

2. Dr. Soong has informed Ambassador Gauss at Chungking that, in addition to the above, the Chinese Government would be prepared to agree to an exchange of notes to the following effect:

“The Chinese Government declares that it is its firm intention to limit inland navigation and coasting trade to vessels of (the) Chinese flag, and assures the Government of the United States that under no circumstances will American interests be discriminated against vis-à-vis any third country.”

We do not consider that this suggested additional exchange is required for our purposes and propose so to inform the Chinese.

3. If the British Foreign Office has any further comment in regard to these matters we should appreciate receiving it if possible at once. We are of course desirous of informing the Chinese without delay of our agreement to the suggested redraft of the provisions relating to coasting trade and inland navigation as indicated in paragraph numbered 1 above and of proceeding to arrange a definite date in the very near future for the signing of the treaty.

HULL

793.003/1037: Telegram

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

LONDON, December 15, 1942—3 p. m.
[Received December 15—12:35 p. m.]

7090. Mr. Eden wrote me on December 14 with respect to the penultimate paragraph of the memorandum transmitted in my 6608, November 24, 2 p. m., mentioning that the Chinese Government had

asked for the inclusion in article 5 of the Sino-British treaty an additional clause terminating the convention for the extension of Hong Kong territory signed at Peiping in 1898. Mr. Eden now states that the British Government is not prepared to consider this matter in connection with the present treaty, since not only has the area leased by the convention nothing to do with extraterritoriality, but being, as stated in the agreement, an enlargement of British territory, is in an entirely different category from the concessions and settlements in China in which the British are relinquishing their special rights. The British Ambassador at Chungking has therefore been instructed to inform the Chinese Government that the British Government regards the leased territory as outside the scope of the present treaty.

WINANT

793.003/1039 : Telegram

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

LONDON, December 16, 1942—7 p. m.

[Received 9:03 p. m.]

7137. I have just received the following letter dated December 14 from Mr. Eden:

“I am grateful to you for the details of the latest developments in the negotiations concerning extraterritoriality contained in your letter of the 11th December (Department’s 6230, December 9, 8 p. m.). I also much appreciate the full and sympathetic reply contained in paragraph 4 of the Department’s message to the points which I had raised in my letter to you of the 7th December (my 6931, December 7, 11 p. m.).

We readily agree that such divergencies as there are between our respective approaches to this problem arise from a difference in practice obtaining in our respective territories and more especially the extent to which we are able to grant to the Chinese reciprocity in certain matters.

No reply has yet been received by us from the Chinese Government corresponding with that communicated to the Department of State on the 8th December. But as regards certain of the specific points mentioned in the message from the Department of State our position is as follows:

One. (A) (2) We note that the Chinese Government withdraws its proposal that an addition be made at the end of the second paragraph of articles II and III of the American draft. Read in conjunction with the second point in the United States communication to the Chinese Embassy of the 27th November, we assume this to mean the

phrase 'and for the recognition and protection of all legitimate rights therein' will be retained in the text and I have so instructed His Majesty's Ambassador at Chungking.

Two. We note that the United States Government accept the Chinese wording for the paragraph in the exchange of notes dealing with ports open to overseas merchant shipping. For our part we await the views of the Chinese Government on the wording already communicated to you (paragraph 1 (a) of the annex to our draft exchange of notes). As regards the Chinese wording we would observe that the use of the expression 'coastal ports' appears to exclude overseas merchant shipping from the river ports which have hitherto been open to overseas merchant shipping.

Three. As regards coastal trade and inland navigation, we await the views of the Chinese Government on the wording of our draft exchange of notes as modified in the manner communicated to you in my letter of December 8th (my 6970, December 9, 6 p. m.).

I note that the only outstanding matter of discussion in the American draft treaty is the question of coastal trade and inland navigation. Pending the receipt of the Chinese Government's reply to our latest proposals it is impossible for us to foresee when our own treaty will be concluded, but I shall, of course, inform you as soon as the Chinese reply is received."

I have received the Department's 6327, December 14, 9 p. m., and 6346, December 15, 9 [8] p. m.¹⁶ and have communicated the substance of these messages to Mr. Eden.

WINANT

793.003/1033 : Telegram

*The Secretary of State to the Ambassador in China (Gauss)*¹⁷

WASHINGTON, December 18, 1942—6 p. m.

1244. Department's 1225, December 14, 8 p. m. We have arranged to hand to the Chinese Embassy tomorrow morning, Saturday, December 19, a document in reply to the Chinese Embassy's document of December 7 in regard to the draft treaty on extraterritoriality and supplemental exchange of notes.

In the document we are informing the Chinese that we concur in the Chinese suggestion in paragraph B (1) of the Chinese Embassy's memorandum of December 7 (our 1204, December 9, 8 p. m.¹⁸) and

¹⁶ Telegram No. 6346 not printed; it asked the Ambassador to inform the British Foreign Office that the United States contemplated suggesting that the treaty be signed on the morning of January 1, 1943 (793.003/1039a).

¹⁷ The substance of this telegram was transmitted to the Ambassador in the United Kingdom in Department's telegram No. 6446, December 18, midnight.

¹⁸ Not printed; it repeated summary of the Chinese memorandum of December 7, p. 392.

that we are agreeable to including in the supplemental exchange of notes their suggestion of December 7 as revised in part by their suggestion of December 12 in regard to inland navigation and coasting trade.¹⁹ In this connection, the language in final form of the first sentence of the second quoted paragraph of paragraph numbered 1 of the Department's 1225, December 14, 8 p. m., will read: "It is mutually understood that the Government of the United States of America relinquishes . . .²⁰ in the waters of the Republic of China and that the Government of the Republic of China is prepared to take over any American properties that may have been engaged for those purposes and to pay adequate compensation therefor."

We are also informing the Chinese that we consider that this Government and the Chinese Government have now reached complete agreement in regard to the draft treaty and notes; and we are suggesting that the treaty and notes be signed on the morning of January 1, 1943 (which date has in addition to its usual significance that of being the first anniversary of the Declaration by United Nations²¹).

Please inform Dr. Soong.

HULL

793.003/1041 : Telegram

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

LONDON, December 18, 1942—7 p. m.
[Received December 18—6:50 p. m.]

7195. Under date of December 17, Mr. Eden has sent me the following comments on the navigation questions dealt with in the Department's telegram 6327, December 14, 9 p. m.:

"The Chinese Government have offered to United States [*United Kingdom*] the same wording concerning navigation questions for inclusion in the exchange of notes as that given in the message from the Department of State of the 14th December. They have also agreed to the insertion of a sentence providing for the relinquishment by China of her rights of navigation on the Irrawaddy.

We have decided to accept this wording subject to the insertion of a phrase at two points in the second paragraph designed to ensure that we shall not be obliged under the most-favored-nation provision to grant China the right to engage in the coastal trade and inland navigation of British territories unless the Chinese permit British ships to participate in the coastal trade or inland navigation of China.

¹⁹ See footnote 13, p. 400.

²⁰ Omission indicated in the original.

²¹ Department of State Executive Agreement Series No. 236, or 55 Stat. 1600.

Having regard to adjustments of form, the appropriate passage in our exchange of notes will thus read as follows:

'His Majesty the King and the President of the Republic of China mutually agree that merchant vessels of one high contracting party shall be permitted freely to come to ports, places and waters in the territories of the other high contracting party which are or may be opened to overseas merchant shipping and that treatment accorded to such vessels in such ports, places and waters shall be no less favorable than that accorded to national vessels and shall be as favorable as that accorded to vessels of any third country. The term "vessels" of a high contracting party means all vessels registered under the law of any of the territory of that high contracting party to which the treaty signed this day applies.

His Majesty the King relinquishes the special rights which his vessels have been accorded with regard to coasting trade and inland navigation in the waters of the Republic of China. The President of the Republic of China relinquishes the special rights which have been accorded to Chinese vessels in respect of navigation on the river Irrawaddy under article 12 of the convention signed at London on the 1st March 1894. Should one high contracting party accord in any of his territories the right of coasting trade or inland navigation to vessels of any third country, such rights would similarly be accorded to vessels of the other high contracting party provided that the latter high contracting party permits vessels of the former high contracting party to engage in the coasting trade or inland navigation of his territories. Coasting trade and inland navigation 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 high contracting party shall enjoy within the territories of the other high contracting party with respect to coasting trade and inland navigation treatment as favorable as that accorded to vessels of any third country subject to the above mentioned proviso.'

The Foreign Office note that the Department of State intend to accept the wording now proposed by the Chinese Government and that there is no reference to the taking over of any American properties that may have been engaged for the purposes of coastal trade and inland navigation and the payment of adequate compensation therefor. The Foreign Office are also inclined not to raise this latter point now but to assume that the reservation of coastal trade and inland navigation to ships flying the Chinese flag does not necessarily preclude the use of foreign-owned wharves, et cetera, for the purposes of these trades.

In connection with the understanding on coastal trade and inland navigation, His Majesty's Ambassador will inform the Chinese Government of the long established practice under which trade between India, on the one hand, and Burma or Ceylon, on the other, is regarded as coastal trade."

793.003/12-1942

The Department of State to the Chinese Embassy

Reference is made to the Chinese Embassy's memorandum of December 7, 1942, in regard to the draft treaty on extraterritoriality.

One. The Government of the United States concurs in the suggestion of the Chinese Government in paragraph B 1 of the Chinese Embassy's memorandum under reference in regard to the question of the abolition of treaty ports as such.

Two. With regard to the questions of inland navigation and coasting trade, the suggestion made in paragraph B 3 of the Chinese Embassy's memorandum of December 7 would appear to have been superseded in part by the suggestion received by the Department of State from the Chinese Embassy on December 12.

As the Chinese Government is aware, it has been the concept of this Government that questions such as those of inland navigation and coasting trade might more appropriately be covered in the later comprehensive treaty. Nevertheless, the Government of the United States, in the belief that the objectives of the two Governments have been identical, has endeavored to give sympathetic understanding to the wishes of the Chinese Government in regard to these as well as to other matters in connection with the treaty and, in receiving the Chinese suggestion of December 12, appreciates the efforts of the Chinese Government similarly to meet the wishes of the Government of the United States.

After giving study to the suggestion received from the Chinese Embassy on December 12, it is believed that, although the revision suggested does not fall within the precise framework of the formal articles on these subjects which this Government prefers to have in its modern treaties with other countries, the language meets the requirements of this Government in regard to protection of legitimate American commercial interests as compared with the commercial interests of third countries. Accordingly, the Government of the United States is agreeable to including the suggested revision in the supplemental exchange of notes rather than in the body of the treaty, and assumes that the Chinese Government will also be agreeable to this procedure. (The Chinese Foreign Minister has suggested to the American Ambassador at Chungking that the revision under discussion might be supplemented by a second exchange of notes giving additional assurances in regard to the treatment to be accorded to American shipping as compared with third country shipping. As, however, the question of the treatment of American interests is, as stated above, adequately covered by the revised language, adoption of Dr. Soong's kind suggestion would not seem to be necessary.)

Three. It is believed that the Government of the United States and the Chinese Government have now reached complete agreement in regard to the draft treaty and the supplemental exchange of notes. This Government therefore proposes to proceed with the preparation of the treaty and notes in form for signature and suggests that, if the Chinese Government is agreeable, the treaty and notes be signed in the office of the Secretary of State on January 1, 1943.

Four. A final draft of the treaty and supplemental exchange of notes, conformable to the understanding of the Government of the United States, is appended.²⁴ It will be observed that the substantive part of the draft note from the Chinese Government to the Government of the United States concludes with a new paragraph as follows:

"It is understood that these agreements and understandings if confirmed by your Excellency's Government shall be considered as forming an integral part of the treaty signed today and shall be considered as effective upon the date of the entrance into force of that treaty."

It is assumed that the Chinese Government will be entirely agreeable to the addition of this paragraph to the note.

WASHINGTON, December 18, 1942.

793.003/12-1942

Memorandum of Conversation, by the Assistant Chief of the Division of Far Eastern Affairs (Atcheson)

[WASHINGTON,] December 19, 1942.

Participants: Mr. Liu Chieh, Minister Counselor of the Chinese Embassy

Mr. Stanley K. Hornbeck

Mr. George Atcheson, Jr.

Mr. Liu called at our request at eleven o'clock to receive our memorandum of December 18²⁵ in reply to the Chinese Embassy's memorandum of December 7 supplemented by the Chinese suggestion in regard to inland navigation and coasting trade of December 12.

Mr. Liu stated that a telegram had just been received from the Chinese Foreign Office to the effect that the word "later" might be omitted from the second sentence of the paragraph in the exchange of notes in regard to inland navigation and coasting trade (page 2 of the draft of December 18²⁶) and we accordingly marked it out of the draft attached to our memorandum of December 18. (It had been noted that the word "later" had been omitted also, apparently with

²⁴ Not printed.

²⁵ *Supra*.

²⁶ Draft not printed.

Chinese assent, from the British draft as indicated in London's 7195, December 18, 7 p. m.)

Mr. Liu read over our memorandum of December 18 and, with reference to the last two sentences in parenthesis on page 3, stated that we were very generous in saying that adoption of Dr. Soong's additional suggestion would not be necessary.

Mr. Liu stated that another telegram had been received from the Chinese Foreign Office to the effect that the Chinese Government desired that the treaty be in both the English and the Chinese languages and that both texts be considered authoritative. He mentioned that the proposed British treaty would be executed in the two languages. Some general discussion of this question ensued. Mr. Hornbeck stated that we would not, of course, wish to object to this Chinese suggestion but pointed out a number of practical reasons why it might be advisable for the English text to be the authentic text, including the reason that English is a more precise language than Chinese and the reason that so few Americans and other foreigners have a competent knowledge of the Chinese language as compared with the number of the Chinese officials and others who have a competent knowledge of the English language. Mr. Hornbeck went on to say also that otherwise it might be advisable to have a third text in French and that the use of such third language would have practical value to both the Chinese and to us, especially as the officials of other countries contemplating treaties on extraterritoriality with China are undoubtedly familiar with French and there would accordingly spread throughout the world a clearer understanding of the action we are taking. As regards the question of precision of language, Mr. Liu stated that in recent years Chinese treaty language had become very precise indeed and there was little danger of ambiguity. Mr. Hornbeck remarked that, as the treaty in question was one of relinquishment rather than of establishment, the question of precision was perhaps in this instance not so important. The question whether a third language would be used was left undetermined for the time being.

Mr. Hornbeck left to rejoin a meeting in the Secretary's office and Mr. Liu and I discussed several aspects of the draft treaty and notes and the question of signing.

I pointed out to Mr. Liu that, in accordance with the Chinese offer of December 7, we had in our draft attached to our memorandum of December 18 retained the clause ending the first sentence of the paragraph in the notes in regard to inland navigation and coasting trade, "and that the Government of the Republic of China is prepared to take over any American properties that may have been engaged for those purposes and to pay adequate compensation therefor". I mentioned that this clause had been omitted from the Chinese sug-

gestion of December 12 but, as it had been offered in the Chinese memorandum of December 7, we had assumed that the omission in the December 12 suggestion was inadvertent and had therefore included it in our "final" draft. Mr. Liu indicated that there would be no objection to this.

Mr. Liu asked whether we desired that the treaty be signed in Washington and mentioned that Dr. T. V. Soong, the Chinese Foreign Minister, was now in Chungking. I said that it had been our assumption all along that the treaty would be signed here, especially as the negotiations had been conducted in Washington. I added that the matter of the relinquishment of our extraterritorial rights was one in which the Secretary had had personal interest, the treaty exemplified action he had long wished to take and I felt sure that Mr. Hull would naturally wish to sign the treaty. I mentioned that Dr. Soong would sign the British treaty in Chungking and probably some of the other forthcoming treaties on extraterritoriality. Mr. Liu stated that he understood our point of view and much appreciated the Secretary's interest in the matter.

I explained to Mr. Liu that the engrossing of the treaty would take several days and that one typographical error would require the whole process of engrossing to be repeated. I said that it would accordingly be helpful if we could have the Chinese reply as soon as possible. Mr. Liu stated that he did not think it would take long to get a telegraphic reply from Chungking and that he was sure that the matter would not be delayed. He said that the Chinese Embassy would prepare a Chinese text of the treaty and let us have it within a few days. After the usual exchange of amenities, during which Mr. Liu made repeated expressions of the Chinese appreciation of our efforts, he departed.

GEORGE ATCHESON, JR.

793.003/1042 : Telegram

*The Chargé in the United Kingdom (Matthews) to the Secretary
of State*

LONDON, December 21, 1942—6 p. m.

[Received 7:50 p. m.]

7251. With reference to Embassy's number 7195, December 18, 7 p. m., the Foreign Office has sent the Embassy the following memorandum on certain aspects of the British negotiations with the Chinese regarding extraterritoriality which it believes the Department may find of interest:

"On the 14th December the Chinese Government made a further communication to His Majesty's Ambassador, the substance of which is as follows:

“(A) Draft treaty.

“1. As regards the preamble and articles 1-5 of the British draft, the Chinese Government expressed the views already communicated to the United States Government, as set out under 1 (a) (1-4) of the message of the 9th December from the Department of State (Department's 6230, December 9, 8 p. m.).

“2. As regards article 6 of the British draft, the Chinese Government continued to oppose the insertion of the words ‘and carrying on of commerce’, but will give further consideration to the British counterproposal to reinsert them and to begin the sentence with the words ‘pending the conclusion of the comprehensive treaty, etc.’ Sir H. Seymour has been instructed to continue to press for the insertion of the words ‘and carrying on of commerce.’

“3. Apart from the above point, and the question of the Kowloon leased territory (which still remains open) the text of the treaty is therefore agreed.

“(B) Draft exchange of notes. (References are to the draft enclosed in the letter of the 4th December to the United States Ambassador—Embassy's 6870, December 4, 9 [8] p. m.)

“Clause 1. As regards (a) and (g) see the Foreign Office communication of the 17th December regarding navigation. (b), (c), (d), (e), and (f) are agreed, with the exception that (e), regarding pilots, will only contain the first sentence.

“The rest of that clause will be covered by instructions to customs authorities which will be communicated to His Majesty's Ambassador by letter.

“Clause 2 agreed.

“Clause 3. The Chinese Government state they are unable to guarantee, even in peacetime, national treatment as regards restrictions on travel and residence. They prefer to omit the clause altogether on the understanding that the right of both parties to impose restrictions for reasons of national security goes without saying. Subject to the views of the Government of India, His Majesty's Ambassador has been authorized to drop the inclusion of reservations on this subject in the exchange of notes.

“Clause 4. A formula regarding personal status matters is being discussed; but if it is not acceptable to the Chinese Government it will be dropped.

“Clause 5. The Chinese Government stated that they were proposing to revise the agreements regarding real property concluded with other powers in 1928. His Majesty's Ambassador had previously proposed to His Majesty's Government the following formula: ‘it is understood that the abolition of the system of treaty ports will not affect existing property rights, and that nationals of each high contracting party will enjoy the right to acquire and hold real property throughout the territories of other high contracting parties subject to the laws and regulations of that high contracting party.’ Sir H. Seymour was informed in reply that this formula represented the minimum acceptable, and that it would be improved by the substitution, after ‘high contracting parties’ of the words ‘in accordance with the conditions and requirements prescribed in the laws and regulations of that high contracting party’, or, better still, by the substitu-

tion, after 'real property', of the words 'as far as possible under the same conditions as nationals of the latter high contracting party.' He has proposed these formulae to the Chinese Government."

MATTHEWS

793.003/1044a : Telegram

*The Secretary of State to the Ambassador in China (Gauss)*²⁸

WASHINGTON, December 22, 1942—7 p. m.

1253. The Chinese Embassy has informed the Department that the Chinese Government concurs completely in our memorandum of December 18, which was handed to the Embassy on December 19, and to the draft treaty and exchange of notes attached thereto. The Embassy states also that the Chinese Government is agreeable to the proposed signing of the treaty in Washington on January 1, 1943, which is *inter alia* the thirty-first anniversary of the establishment of the first provisional government of the Republic of China under Dr. Sun Yat-sen.

HULL

793.003/12-2642

Memorandum of Conversation, by the Assistant Chief of the Division of Far Eastern Affairs (Atcheson)

[WASHINGTON,] December 26, 1942.

Mr. Liu Chieh telephoned me at noon and stated that a telegram had been received from the Chinese Foreign Office in which the Foreign Office requested that we revert to the preamble which we had suggested in the original draft of the treaty handed to the Chinese on October 24. He stated that he would come to the Department to discuss the matter with me. Before his arrival I consulted with Mr. Hornbeck and it was decided that I should hand to Mr. Liu a counter-suggestion drafted by Mr. Hornbeck, copy attached, as a basis for discussion.

Mr. Liu arrived at 1:00 p. m. He said he felt most apologetic in the matter; he realized that our "final" suggestion in regard to the preamble had been formally accepted by the Chinese in the Chinese Embassy's memorandum of December 7 and that also Dr. T. V. Soong, the Chinese Foreign Minister, had informed the American Ambassador at Chungking that the suggestion in question was acceptable to the Chinese; he hoped nevertheless that as we had in the first

²⁸ The same telegram was sent to the Chargé in the United Kingdom as Department's No. 6514, December 22, 7 p. m.

place offered the draft preamble which the Chinese now desired to adopt there would be no objection to adopting that preamble.

I said to Mr. Liu that when our original draft treaty had been presented to the Chinese it constituted a comparatively simple document providing for the relinquishment of extraterritorial and other special rights and for the taking care of immediately related matters which required attention. I said that we had hoped to avoid including in the treaty extraneous matters but that a number of them had been brought in and that the "final" draft presented to the Chinese on December 19 covered, at the instance of the Chinese, a number of questions not originally envisaged as part of the treaty: coasting trade and inland navigation, visits of merchant vessels, foreign pilots, visits of naval vessels, et cetera. I added that we had striven very hard to meet Chinese wishes in every appropriate way; that, as the treaty had been considerably broadened and was now actually a quite comprehensive document, we felt that the preamble should be broad enough to include some of the thoughts we had in mind when we presented our draft of November 27, which, as he had mentioned, had been formally accepted by the Chinese Government, and which exemplified an earnest endeavor to meet the wishes of the Chinese Government in regard to the preamble.

I said that I could not at this moment make a definitive counter-suggestion in regard to the preamble but I could offer him informally a tentative draft to serve as a basis of discussion, and I thereupon handed him the text of the draft attached. Mr. Liu stated that he was afraid that reference of this counter-suggestion to the Foreign Office at Chungking would, as the time was so short, cause delay in the signing of the treaty. I said that I thought that it was quite possible that the desire at the last moment of the Chinese to abandon the agreed upon preamble might have that result.

We discussed various phases of the matter, Mr. Liu handed me a revised and "confirmed" Chinese text of the treaty, and after the usual amenities he departed. Our conversation was friendly and cordial throughout.

GEORGE ATCHESON, JR.

[Annex]

*Draft "Counter-Suggestion for Preamble"*²⁹

The United States of America and the Republic of China, desirous of emphasizing the friendly relations which have long prevailed be-

²⁹ Handed to the Minister Counselor of the Chinese Embassy on December 26 by the Assistant Chief of the Division of Far Eastern Affairs; text transmitted to the Chargé in the United Kingdom in Department's telegram No. 6574, December 26, 5 p. m. The telegram added: "This development may conceivably delay the signing of the treaty for two or three days." (793.003/1055a)

tween their two peoples and of manifesting their common desire as equal and sovereign States that the high principles in the regulation of human affairs to which they are committed shall be made broadly effective, have resolved to conclude a treaty for the purpose of adjusting certain matters in the relations of the two countries, and have appointed as their plenipotentiaries et cetera.

793.003/1047 : Telegram

The Chargé in the United Kingdom (Matthews) to the Secretary of State

LONDON, December 29, 1942—6 p. m.

[Received December 29—4:02 p. m.]

7405. I have just received the following letter from Mr. Eden dated December 29 and marked "immediate":

[“] I am sending you in a separate letter (Embassy’s 7406, December 29, 6 p. m.⁸⁰) a memorandum on the latest position in our negotiations on extraterritoriality in China. From this you will see that in order to reach early agreement and to be in a position to sign our treaty on the same day as the United States Government sign theirs we have conceded the Chinese requirements on every outstanding point but one, including certain points, such as national treatment for commerce, in respect of which we attach importance to obtaining what was no more than reciprocal treatment so far as we were concerned. Our desire has been throughout to align ourselves with the United States as closely as our differing positions allowed and to make of the signing of our treaties an Anglo-American-Chinese act of political solidarity.

Only one point remains to be settled and this, although not of our raising, is of essential importance to us. In reply to the Chinese Government’s proposal for the rendition of the ‘new territories’ at Kowloon we have, as you will see, offered a formula whereby we indicate that in our view this is a matter, if the Chinese Government wish to raise it, for discussion when victory has been won. We are unable to admit that this question falls under the head of the abrogation of extraterritoriality and we are unable to withdraw from the position which we have taken up. To do so would be to lay ourselves open to further Chinese pressure on other matters the extent of which cannot be foretold.

If as a result of this we are unable to reach the agreement with the Chinese Government on a treaty abolishing extraterritoriality

⁸⁰ Not printed; it submitted a summary of the British fifth revised draft and exchange of notes (793.003/1048).

it will obviously be highly regrettable. But we have faced this eventuality in taking our decision which is final.

The United States Government have during these negotiations shown a willingness to collaborate with us which we value highly. On our side we have done what we could to reduce to a minimum the requirements which the extent of our interests justified and have at all times endeavoured to suit our action to that of the United States Government. The question of the new territories was not, however, foreseen at the outset of our joint approach to the Chinese Government. It is not yet certain that the latter intend to press this issue to the point of a deadlock, but I should be glad if you would inform your government urgently of the position. We should be grateful if they felt able to use their influence with the Chinese Government to prevent this occurring."

MATTHEWS

793.003/1055c: Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, December 31, 1942—6 p. m.

1293. The following telegram has been sent to London:³¹

"As indicated in our 6636, December 29, 9 p. m. (1281, December 29, 9 p. m., to Chungking),³² there remain for adjustment a few points in regard to the Chinese text of our treaty. We would assume that there are some similar points in regard to the Chinese text of the British treaty. We are wondering what may be the thought of the British Government and of the Chinese Government on the subject of having, where there is identity of language in the British and the American treaties, similar identity of language in the Chinese texts. We shall take this up with the Chinese today (December 31). The adjustments which we find necessary cannot be completed and the engrossing of the English and the Chinese texts be completed in time for signature on January 1. We therefore suggest that date for signature be not set until all details of translation, agreement on texts and engrossing are completed and all parties are fully ready to sign. Dates or hours for signatures could then quickly be decided upon without likelihood of hitch. We feel that it would be desirable to have the British and the American treaties signed at approximately the same hour."

We took up this matter with the Chinese Minister Counselor on December 31. The Minister Counselor stated that the Chinese Embassy would immediately communicate to the Chinese Foreign Office by telegraph a suggestion that the Chinese texts of the Sino-American and Sino-British treaties be identical where identity of language occurs in the English texts.

HULL

³¹ Telegram No. 6675, December 31, 4 p. m.

³² Neither printed.

793.003/1053 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, December 31, 1942—6 p. m.

[Received 7:17 p. m.]

1577. Soong this afternoon informed Vincent³³ that matter of preamble of new treaty had been settled and that with regard to a difference of opinion respecting Chinese translation of certain phrases, he had authorized Ambassador Wei to accept our translation (although he continued in the belief that the translation made here was preferable) in order that the treaty might be signed tomorrow. Soong stated that the British-Indian treaty would be signed tomorrow at noon by himself for China and by the British Ambassador and the acting agent of the Indian Government respectively. Texts of the treaty will not be released until midnight after signing. Soong stated confidently that our treaty would be signed tomorrow in Washington and expressed concern that requested summary of treaty for simultaneous release here with the British treaty had not yet arrived and said that Generalissimo would probably make a brief summary statement on treaty if summary is not received tomorrow.

British Ambassador confirmed to Vincent Soong's statement regarding plans for signing treaty here tomorrow [and] said that his most recent telegram (December 30) instructed him that, although matter of preamble in our treaty had been settled, questions regarding Chinese translation had not and that American treaty would probably not be signed until January 4th or 5th. He said that his instructions were not to sign before the day on which the American treaty was definitely to be signed and that therefore, although he was allowing plans for signing tomorrow to proceed, he would not sign unless he had confirmation that the American treaty was also to be signed tomorrow.

GAUSS

793.003/1048 : Telegram

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

WASHINGTON, January 6, 1943—6 p. m.

119. Your 5752, October 15, 1942, 1 a. m.; Department's 5129, October 17, 5 p. m.; Department's 5200, October 21, 10 p. m., your 6870, December 4, 8 p. m. and 7406, December 29, 6 p. m.,³⁴ the question of obtaining Chinese assurances in regard to the treatment, after the

³³ John Carter Vincent, Counselor of Embassy in China.³⁴ Telegram No. 7406 not printed, but see footnote 30, p. 414.

abolition of extraterritoriality, of foreign nationals by Chinese courts and in regard to certain matters of personal status.

As indicated in paragraph 6 of our 5200, October 21, 10 p. m., we have been prepared to suggest to the Chinese Government informally that the Chinese Government might care, of its own accord and as a unilateral act on its part, and in whatever way it wishes, to take whatever steps it might consider appropriate to give assurances with regard to the courts and prisons in which foreign nationals in China might be tried or detained. We consider that it would be helpful for us to make such an approach and we shall expect, upon the signing of the treaty and supplemental exchange of notes, to hand to the Chinese Embassy a document marked "Oral" reading as follows:³⁵

"This Government has been following in recent years the progressive steps which the Chinese Government has taken in matters relating to the administration of justice. This Government has noted the spirit which the Chinese Government has shown in adopting new civil and criminal codes, in establishing modern courts of justice, and in building improved prisons.

It is believed that it is the intention of the Chinese Government that this progressive program shall be extended throughout the territory of the Republic of China and that as areas of Chinese territory now under Japanese military control are restored to Chinese jurisdiction modern courts of justice will be reestablished and modern prisons will be restored or be built in such areas.

Questions affecting the administration of justice are regarded by the people of this country—as by the people of China—as of the very highest importance. It is to be expected that in connection with the relinquishment of extraterritorial jurisdiction by the American authorities over American nationals in China the people of this country will wish to understand as fully as possible just what the situation of American nationals in China is to be in respect to these questions. Undoubtedly, peoples in other countries concerned will be desirous of similar information.

It has been this Government's understanding from indications given by the Chinese Government on occasion in the past that it is the policy of the Chinese Government that, except in the case of police offenses, foreign nationals who are parties to civil or criminal cases shall be subject to the jurisdiction of the modern Chinese courts of justice only; that in the case of police offenses foreign nationals shall be tried either by the modern Chinese courts of justice or by the police tribunals acting in accordance with duly promulgated laws, ordinances, and regulations; and that foreign nationals who may be detained or arrested or imprisoned by the Chinese authorities shall be held only in prisons designated by the Ministry of Justice for the detention of foreign nationals or in other suitable places.

If the Chinese Government should of its own initiative, by any measures that it might consider appropriate, set forth its policy with regard to these matters, such a step would be warmly welcomed by

³⁵ "Oral" statement was handed on January 11, 1943, to the Minister Counselor of the Chinese Embassy by the Assistant Chief of the Division of Far Eastern Affairs.

the Government and people of the United States and, it is believed, by the governments and peoples of other countries similarly concerned.

This subject is, of course, one for determination solely by the Chinese Government. It is the desire of this Government merely to bring the subject, because of its importance to the American people and to other peoples, to the attention of the Chinese Government."

Please inform the British Foreign Office.

HULL

[For text of treaty for the relinquishment of extraterritorial rights in China and the regulation of related matters, signed at Washington, January 11, 1943, with an accompanying exchange of notes, see Department of State Treaty Series No. 984, or 57 Stat. 767. The Senate gave its consent to the ratification of the treaty without a dissenting vote on February 11, 1943. Ratifications were exchanged at Washington on May 20, 1943, and the treaty and notes came into effect on that day; this was so proclaimed by the President on May 24, 1943.

The British treaty was signed at Chungking, January 11, 1943; *British and Foreign State Papers*, volume CXLV, page 129.]

FINANCIAL RELATIONS BETWEEN THE UNITED STATES AND CHINA

I. DISCUSSIONS CONCERNING UNITED STATES \$500,000,000 CREDIT TO CHINA; NEGOTIATIONS IN REGARD TO FINANCIAL AGREEMENT SIGNED AT WASHINGTON, MARCH 21, 1942¹

893.51/7376 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, January 3, 1942—10 a. m.

[Received 1:44 p. m.]

11. TF-Z. From Fox² for Secretary of the Treasury.³

1. (a) I find much talk in Chungking and also in Yunnanfu of a loan by the United States and Great Britain to China and am informed the Generalissimo⁴ has already raised the subject with respective governments. The talk in Chinese Government circles is of a United States dollars 500,000,000 loan by the United States and of a pound 100,000,000 loan by Britain.⁵

(b) I have felt for some time prior to the outbreak of war that in view of the extreme gravity of the internal economic situation here a new loan to China was needed. This feeling has been reinforced since December 8 in view of the effect on Chinese political opinion of the initial Japanese successes, of the probable effect of temporary Japanese successes in southeast Asia in the near future, and of the perceptible strengthening of defeatist elements in Chinese Government circles. In this situation a substantial loan to China, the bigger the better, would be invaluable in keeping China going as an anti-Axis power. The very fact that the larger portion of such a loan could not be used is an argument in favor of making it as big as possible.

(c) While the internal economic effects of such a loan, after the initial psychological effects have worn off, might not be commensurate

¹ For previous correspondence on assistance to China, see *Foreign Relations*, 1941, vol. v, pp. 590 ff.

² A. Manuel Fox, American member of the Chinese Stabilization Board.

³ Henry Morgenthau, Jr.

⁴ Chiang Kai-shek, President of the Chinese Executive Yuan (Premier).

⁵ See telegram No. 548, December 30, 1941, 6 p. m., from the Ambassador in China, *Foreign Relations*, 1941, vol. v, p. 768. A paraphrase of a telegram of December 28, 1941, from the British Ambassador in China (Clark Kerr) to the British Foreign Office reporting the Chinese loan proposal was transmitted on January 3 to the Department by the British Embassy (893.51/7630).

with its size, owing to the physical difficulties in the way of importing goods, they would nevertheless be beneficial. But, more important, the political advantages would be very great. A loan might make all the difference between a victory of the Chinese defeatist[s] (and they are lukewarm) and their neutralization. As already indicated, the actual outlay would be much smaller than the nominal amount of the loan. Its political effects would be reinforced if no specific guarantees were required. It would be desirable to have the loan used as an occasion for insisting on the improvement and strengthening of the Central Bank and banking system of China.

(d) The loan could be used: (1) to guarantee the issue of attractive government bonds to absorb *fapi* and make it unnecessary henceforth for the Chinese Government to issue more notes to cover its budgetary deficit, thus retarding the inflationary spiral; (2) to promote trade with India as long as the Burma Road remains open and with Russia and thus ensure the maintenance of an inflow of goods from abroad. The political aspects of financing trade with Russia I am in no position to evaluate but economic advantages would certainly accrue; (3) if possible to finance loans to promote internal small scale production, for which there is a crying need, and agricultural production. (Both (2) and (3) would help retard the rise in prices by increasing the supply of goods.) And possibly (4) to provide a backing in foreign exchange for the note issue which would have temporarily beneficial effects on internal confidence in *fapi*. It might be desirable to tie up the Stabilization Board with the loan in one way or another, if only because the Board might more easily secure confidence than could the Chinese Government itself.

(c) [e] A scheme has been submitted to the Board by the Ministry of Finance proposing that its remaining United States dollar and sterling assets be used as a guarantee fund for the issue of Chinese Government bonds on the lines of (d) 1 above. There are three objections: first, that the amount involved would not suffice to contribute appreciably in the absorption of granting insurance; secondly, there is some doubt as to the legality of such a procedure under the terms of agreements instituting the fund; and thirdly, it would deprive the Board of its function of providing foreign exchange for imports and as long as imports are possible this function must be performed.

2. The above except for a few modifications was prepared on December 31 immediately upon my return from Kunming. Yesterday morning Ambassador Gauss kindly brought me up to date with respect to the steps taken thus far by the Embassy concerning a Chinese loan. I was interested in the suggestions made by Niemeyer⁶ to the Chinese

⁶ Sir Otto Niemeyer, head of the British economic mission in China.

Government and impressed by the Ambassador's comments⁷ who seemed to be particularly [influenced?] by his suggestion for immediate action by Congress. I have not as yet discussed the subject of a Chinese loan with any Chinese or British official. [Fox.]

GAUSS

893.51/7630

*Sir Frederick Phillips of the British Purchasing Mission to the
Secretary of the Treasury (Morgenthau)*⁸

WASHINGTON, January 3, 1942.

DEAR MR. SECRETARY: You will of course be aware that the question of further American and British assistance to China has been raised in the last few days and that in particular Chiang Kai-shek has suggested to the two Ambassadors that China ought to receive additional loan assistance to a total of \$500 millions and £100 millions.

The British Government would be very interested to know what are your general reactions to this proposal. The sums mentioned are of course, enormous and it is the reverse of obvious how far large dollar and sterling credits could enable China to face her real problem, which is to check the enormous inflation of Chinese currency resulting from the war. It appears that the Chinese Budget is being met 90 percent or more by note printing. Nothing is being done to meet the situation by the borrowing of genuine savings, but in order to restrain a still greater rise in prices than has at present occurred it seems essential to make a decided effort in this direction. Prices have already risen over July 1937 by anything up to thirty times, mostly since June 1940 and the momentum is growing.

Sir Otto Niemeyer is pressing on the Chinese Government certain obviously needed reforms such as controlling the grant of credit by private banks and rates of interest, and measures to make more effective transport control, particularly on the Burma Road, and to check rice prices. We hope that it may be found possible for the U. S. Ambassador to give support to these ideas, which however by themselves are clearly inadequate.

I am not aware how far it would be possible for you to give further financial assistance through channels already established but as a practical matter the problem seems to be not to give China more foreign exchange (need for foreign exchange must have been greatly

⁷ See telegrams Nos. 516, December 21, 1941, 10 a. m., and 549, December 31, 1941, 5 p. m., from the Ambassador in China, *Foreign Relations*, 1941, vol. v, pp. 766 and 771.

⁸ Copy transmitted to the Department in letter of January 3 from the Third Secretary of the British Embassy (Wade) to H. Merle Cochran of the Board of Economic Operations and concurrently Technical Assistant to the Secretary of the Treasury.

reduced by the closing of Shanghai and Hong Kong, reducing Chinese imports to what she can get over the Burma Road, and most of the latter is covered by lend-lease) but to check the enormous increase in the internal circulation of bank notes. To deal with this latter point Niemeyer proposes that the Chinese Government should be urged to issue an internal gold loan for say fifteen years secured on customs receipts after existing loans, repayments to start five years hence, and principal but not interest to be guaranteed as to one *tranche* by the United States, and as to the other by the United Kingdom, amount not exceeding say £10 millions (\$40 millions) for each *tranche*. The proceeds of this loan would be used to redeem local currency and reduce the circulation. I mentioned this proposal recently to Dr. White,⁹ and I should be glad to learn whether in general principle it appeals to you.

Yours sincerely,

F. PHILLIPS

893.51/7378 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, January 6, 1942—(?) p. m.

[Received January 7—6: 22 a. m.]

19. TF-11. From Fox for the Secretary of the Treasury. Sir Otto Niemeyer and Hall-Patch¹⁰ called yesterday to discuss loan to China. Niemeyer seems to realize: (1) that political situation is bad and that economic and financial considerations are secondary; (2) that loan to China is desirable, the only question being the size of the loan.

Niemeyer does not believe any goods can get into China and that China's request for a loan will be turned down. I think this would be an unfortunate mistake. I believe that it is more important as far as Great Britain is concerned to offer to supply goods such as cotton and cotton yarn from India and Burma and from India steel if it can be, et cetera, rather than large amount of money, and that there should soon be received for delivery to Generalissimo a message along the lines of your statement of December 16 (section 4 of 304¹¹) but a little more specific if it is feasible at this stage. [Fox.]

GAUSS

⁹ Harry Dexter White, Assistant to the Secretary of the Treasury and Director of the Division of Monetary Research.

¹⁰ Edmund L. Hall-Patch, Financial Attaché of the British Embassy in China and British member of the Chinese Stabilization Board.

¹¹ Department's telegram No. 304, December 16, 1941, 9 p. m., not printed.

893.51/7392

*Memorandum of Conversation, by the Assistant Secretary of State
(Berle)*

[WASHINGTON,] January 8, 1942.

Participants: Mr. Harry White and Mr. Bernard Bernstein, of Treasury;
Mr. Lauchlin Currie;¹² Mr. Frederick Livesey;¹³ and
Mr. A. A. Berle, Jr.

A meeting was held at the Treasury yesterday regarding the request of the Chinese Government for a loan of five hundred million dollars.

The Treasury people said that this loan could be justified only in the event that a political and military result would be had out of it. Plainly, the loan probably would not be repaid. The Treasury was prepared to go into the matter promptly if the Secretary of State would write a letter saying that for political reasons it was deemed desirable to make such a loan.

I said that the Secretary had recommended a loan of up to three hundred million dollars, more than a month ago, and that he was still of the same opinion. Our political people seem to believe that the political and military results arising from such a loan justified it. Naturally, if anything could be done to strengthen the economic structure along with the loan, that was so much clear gain.

The question was left over for further discussion whether the loan should be an Anglo-American loan or a straight American loan. Mr. Lauchlin Currie vigorously opposed British participation, saying that we were in a better position to do the job. A communication from Sir Frederick Phillips indicates that the British are thinking of small amounts—say, eighty million dollars—and the general opinion was that any small amount like this would probably not cover the situation.

A. A. BERLE, JR.

¹² Administrative Assistant to President Roosevelt.

¹³ Chief of the Financial Division. For memorandum by Mr. Livesey on the same conversation, see *infra*.

893.51/7386

*Memorandum of Conversation, by the Chief of the Financial Division
(Livesey)*¹⁴

[WASHINGTON,] January 8, 1942.

PROPOSED LOAN TO CHINA

Mr. Lauchlin Currie, Mr. Berle and Mr. Livesey called by appointment on Mr. Harry White of the Treasury Department and conferred with him, Mr. Bernard Bernstein,¹⁵ Mr. Friedman,¹⁶ Mr. Coe,¹⁷ and Mr. Southard¹⁸ regarding General Chiang Kai-shek's request for financial assistance.

Mr. White asked for an expression on the political factors. Mr. Berle said that everybody concerned with the matter in the State Department felt that it was very important to strengthen Chinese morale by giving large financial assistance at the present time. Mr. Currie expressed concurrence with this view.

Mr. White said that it was evident that a small loan would not have significantly useful economic and political effects. On the other hand the Chinese currency is at a stage where depreciation may rapidly accelerate during the next year with crippling effects on China's ability to finance its military efforts. A loan large enough to check the inflation might have very helpful effects.

It was agreed that there is no need to await British action on the similar proposal made to them by Chiang. The British relation to the matter could be determined later.

During the discussion Mr. White said that an operation of the contemplated kind could properly be described as a stabilization operation but Mr. Morgenthau might not wish to devote so large a part of the Stabilization Fund to China without obtaining Congressional authorization. It was suggested also that thought should be given to amending the Lend-Lease Act¹⁹ to include financial aid of this kind when Congress next considers it in a month or so.

Mr. White requested as a basis for Treasury action a letter from the Secretary of State, or possibly from the President, informing the

¹⁴ Mr. Livesey's memorandum became the basis for affirmative action for an American loan to China within the Department of State by the Division of Far Eastern Affairs and the Foreign Funds Division. In a memorandum of January 9 the Division of Far Eastern Affairs fully concurred "in the desirability of making a large loan to China at the earliest possible moment" (893.51/7386). See supporting memorandum of January 10 by Mr. Hornbeck to the Secretary of State and Secretary Hull's letter to the Secretary of the Treasury, January 10, pp. 433 and 434.

¹⁵ Assistant General Counsel, Treasury Department.

¹⁶ Irving S. Friedman, Division of Monetary Research, Treasury Department.

¹⁷ V. Frank Coe, Assistant Director of the same Division.

¹⁸ Frank A. Southard, Assistant Director of the same Division.

¹⁹ Approved March 11, 1941; 55 Stat. 31.

Secretary of the Treasury that financial assistance by the United States Government up to some indicated figure at the present time is believed to be necessary for political and military reasons. With a letter of this kind, the Treasury could proceed to study the numerous practical and technical questions which the arrangements will involve. In the meantime the Treasury will tell Mr. T. V. Soong, the Chinese Minister of Foreign Affairs, who has been inquiring about the matter, that it is receiving intensive consideration.²⁰

893.51/7406

The Ambassador in China (Gauss) to the Secretary of State

No. 266

CHUNGKING, January 8, 1942.

[Received February 12.]

SIR: I have the honor to refer to my despatch no. 261 of December 31, 1941²¹ on the subject of finance-economic conditions in China and to my telegrams nos. 548 and 549 of December 30 and 31, 1941,²² in regard to the Chinese Government's request for an American credit of half a billion dollars and a British credit for one hundred million pounds, and to enclose for the Department's information (1) a memorandum of my conversation with General Chiang on December 30 when he asked me to place his request for a loan before the American Government, (2) paraphrase of a telegram²¹ sent by the British Ambassador to his government on the reference subject, (3) copy of a memorandum²¹ of Mr. Vincent's²³ conversation with Mr. Hall-Patch, financial attaché of the British Embassy, and (4) copy of a confidential memorandum²¹ prepared by Mr. Chang Chia-ngau, Minister of Communications, for General Chiang and Dr. Kung²⁴ in regard to the financial situation in China.

I suggested in my telegram no. 549 of December 31, 5 p. m., that the Congress might be asked to authorize a credit to China up to a specified amount for utilization under agreements or arrangements to be made by the executive branch of the Government after the presentation and consideration of definite proposals to be put forward by the Chinese Government.

I am convinced that credits of the magnitude requested by General Chiang (a total of about one billion U. S. dollars) are out of all proportion to the needs of the situation viewed from the political-psycho-

²⁰ Notation by Mr. Livesey: "Treasury will call Fox and Adler [Solomon Adler, Treasury agent in China] in from Chungking to assist in negotiating the new credit."

²¹ Not printed.

²² *Foreign Relations*, 1941, vol. v, pp. 768 and 771.

²³ John Carter Vincent, First Secretary of Embassy in China.

²⁴ H. H. Kung, Chinese Minister of Finance.

logical or the finance-economic standpoint—or both. While, in the absence of any definite proposals supported by factual data, only a rough estimate can be made, I feel that credits (American and British) of at most no more than a half billion dollars would generously satisfy all the requirements of the situation, psychological and financial, and that credits in excess of such an amount would be misleading and invite attempts at misuse. They would be misleading in that they might lead to popular expectation of practical results commensurate with the size of the credits, which would not be the case, because in present circumstances there is no practicable way in which such large credits could be effectively and legitimately utilized. They would invite attempts at misuse on the part of the self-seeking banking and government elements who would find it difficult to resist the temptation to draw on such excessive credits for their own gain.

Aside from the broad idea of supporting government credit and retarding currency inflation, I am not informed with regard to any program for using the credits requested. Conversations with Dr. Fox and with Sir Otto Niemeyer lead me to believe that the Chinese Government has not formulated plans for coping with the serious internal situation and is therefore hardly in a position to indicate with any exactness the use it expects to make of desired foreign credits. Mr. Chang Chia-ngau sets forth in very general terms the need and usefulness of an internal bond issue supported by foreign credits (enclosure no. 4) and the Vice Ministers of Finance²⁵ speak of "reconstruction" even more vaguely, and unconvincingly in so far as immediate needs are concerned (enclosure no. 3). These, I fear, are examples illustrative of the government approach to the problem. The attitude and ideas of the Minister of Finance and the Minister of Economics²⁶ are no more encouraging.

In the absence of technical studies on the subject, it is difficult for the Embassy to arrive at even a relatively precise idea of the reasonably constructive uses to which the credit might be put. However, it may serve some purpose to indicate in purely suggestive terms the Embassy's thoughts in the matter based on general observation.

A domestic bond issue, supported by foreign credits, would seem to be theoretically sound and advisable. No approximately definite figures as to the amount of such bonds that might be marketed are obtainable. The figure of two billion Chinese dollars is the one most often mentioned and under favorable conditions the amount might increase to four billions. Distribution primarily among the investing public would seem to be essential to accomplish the ends desired; that is, the withdrawal of currency from circulation and the release of

²⁵ O. K. Yui and Y. C. Koo.

²⁶ Wong Wen-hao.

goods now being hoarded. Obviously no public benefit would result from the government banks' exchanging currency in their vaults and newly issued currency for bonds backed by foreign currency at a fixed rate.

Encouragement of agricultural and small industrial production is wanting and badly needed. If it is feasible to do so, a portion of the credit might be used to support loans or grants to agricultural interests for the reclamation and improvement of farm land and to home and community industrial enterprises. The Chinese Government, notwithstanding the obvious advantages of such action, has been slow and reluctant to give assistance but it might be induced to do so if credits were set aside available only to support loans or grants of the kind. Only a very rough guess can be made as to the amount that might be earmarked for this purpose. Although there is slight likelihood that it would all be used, one hundred million dollars might be designated for the purpose of supporting grants or loans up to a billion Chinese dollars for small scale production and a like amount for agricultural improvement.

In the Embassy's telegram no. 11 of January 3, 9 [10] a. m. Dr. Fox suggests, *inter alia*, (to the Secretary of the Treasury) use of a portion of the credit to promote imports from Russia into China. (He makes a similar suggestion with regard to imports from India). I am not in a position to evaluate the practical features of such a plan but I know that any opportunity to encourage the inflow of goods into China at this time should not be overlooked. One hundred million dollars of the credit might be set aside for this purpose in the hope that some portion could be used to accomplish the desired results.

The Central Executive Committee of the Kuomintang, at its meeting in December last, passed a resolution calling for "The execution of a land policy and the institution of government machinery to deal exclusively with land registration and the equalization of land ownership . . .".²⁷ Various Kuomintang organs and committees have in the past passed similar resolutions, the effect of which has been inconsequential. To encourage implementation of the resolution quoted above, a practical step would seem to be the earmarking of a portion of the credit (one hundred million dollars is suggested as a generous estimate) for the support of the necessary financing of the agrarian reform contemplated.

The Generalissimo stresses the psychologically beneficial effect of a large political loan or credit at this time but he offers no program for its use, stating that a program will be forthcoming after the credit is given. I concur in his statements as to the need and the effect of a

²⁷ Omission indicated in the original.

credit (while differing with regard to the amount) but I am convinced of the advisability, from the Chinese point of view as well as our own, of earmarking portions of the credit for certain purposes. Designation of portions of the credit for support of measures suggested above may be ill-received in banking and some governmental quarters but I believe that, viewing the situation as a whole from the standpoint of general public welfare and from the standpoint of strengthening the country's economic structure for continued resistance to Japan, it will produce more constructive results than the granting of a large, lump credit or loan without designation as to use. It is well not to overlook the beneficial psychological effect upon the Chinese people of support for measures mentioned above (in particular measures for increased production and agrarian reform); and the practical effects of even partial application and implementation of such measures would fully justify our support. Probably no more than half the amounts suggested would be effectively used for the purposes mentioned and no doubt there would be administrative difficulties and inefficiencies, but even so, urgent requirements would at least be partially met—production of commodities would be increased (thereby removing some of the curse from currency inflation) and a start towards long overdue agrarian reform would be made. And those elements in China which have been urging such measures and the infinitely greater number that would benefit therefrom would be encouraged and strengthened in their resolve to support active prosecution of the war against Japan, having received a practical demonstration that they are fighting *for* something. The alternative is purchase of the support of the retrogressive, self-seeking, and, I fear, fickle elements in and intimately associated with the government through the granting of a "free" credit, for I am convinced that a substantial credit should be granted.

With reference to my telegrams nos. 34 and 35 of January 12th,²⁸ I cannot too strongly emphasize my feeling that we should clearly and forcefully make known to the Chinese Government, in connection with financial aid that we may extend to China, our opposition to the use of any portion of such aid, directly or indirectly, for the financing of expensive and harmful monopolies. This is a matter which calls for no clarification on my part in as much as I am sure that the Department is fully aware of the dangers of the situation.

Respectfully yours,

C. E. GAUSS

²⁸ *Post*, pp. 495 and 496.

[Enclosure]

*Memorandum of Conversation, by the First Secretary of Embassy in China (Vincent)*²⁹

CHUNGKING, December 30, 1941.

Present: General Chiang Kai-shek;
 The American Ambassador;
 Mr. Vincent;
 Dr. Hollington Tong,³⁰ interpreting.

General Chiang requested the Ambassador to call on him at his residence late this morning. He opened the conversation by stating that he had desired to see the Ambassador for some time in order to discuss matters with him. He said that much had happened since the outbreak of the Pacific war and that he wished to give the Ambassador a brief review of events insofar as he was concerned with them. He said that he had received favorable replies from President Roosevelt³¹ and Premier Churchill³² in response to his message of December 8th (Embassy's telegram 481, December 8, 6 p. m.³³ and dispatch 240, December 16, 1941³⁴), and that Mr. Stalin³⁵ had also replied.³⁶ He said that Russia was apparently not yet prepared to join the anti-aggression front (presumably in the Far East!), but that he was certain that Russia could not avoid war with Japan.

General Chiang referred to the recent military councils in Chungking which General Wavell³⁷ and General Brett³⁸ had attended and said that this was further evidence of determination of ABCD³⁹ powers to cooperate fully in fighting Japanese aggression. General Chiang said that China had a vast man power which it could offer to help in the fight against Japan and that he had already authorized the despatch of Chinese troops to aid in the defense of Burma. He remarked that China was in a position to aid the other military powers in a military way by man power, but that China must look to America and England for aid to enable her to meet the economic and financial difficulties with which it is beset. He admitted that the financial situation in China is serious and that the extension of the war in the Far East will be likely to result in its further deterioration, and that

²⁹ Notation by the Ambassador: "Approved".

³⁰ Chinese Vice Minister of Information.

³¹ See message of December 14, 1941, *Foreign Relations*, 1941, vol. iv, p. 751.

³² Winston Churchill, British Prime Minister.

³³ *Foreign Relations*, 1941, vol. iv, p. 736.

³⁴ Not printed.

³⁵ Iosif Vissarionovich Stalin, Chairman of the Council of Commissars (Premier) of the Soviet Union.

³⁶ See message of December 12, 1941, *Foreign Relations*, 1941, vol. iv, p. 747.

³⁷ Gen. Sir Archibald P. Wavell, British Commander in Chief, India.

³⁸ Maj. Gen. George H. Brett, U. S. A., Chief of the Air Corps.

³⁹ American-British-Chinese-Dutch.

this is a situation which has aroused a very real concern in many quarters.

General Chiang said that the Japanese were utilizing their initial successes to great advantage in the field of propaganda; that intelligent people did not lack confidence in the ultimate success of the ABCD powers; but that the masses, the doubters, and those connected with the traitors in Nanking were affected by Japanese propaganda. He referred specifically to a recent radio broadcast message addressed to him by the Premier of Siam, in which the Premier had called upon General Chiang to join with other Far Eastern nations for Far Eastern solidarity against the Western nations—or “Asia for the Asiatics”. (General Chiang mentioned this appeal of the Siamese Premier several times during his conversation.) He said that if England and America would show their confidence in China and in the ultimate victory of the democracies by granting China a substantial political loan, the doubters, the dissenters and the ignorant would be silenced and morale in China would be greatly improved.

General Chiang stated that he had asked the British Ambassador to transmit a request to his Government that it grant China a credit of 100 million pounds sterling, and that he wanted the American Ambassador to transmit a request to the American Government that it grant China a credit of about 500 million dollars.

General Chiang stated that at present China's note issue in circulation amounted to something over thirteen billion dollars national currency; that the anticipated deficit for the year 1942 would amount to nine billion dollars. He said that the credit he requested would be used partly to withdraw currency in circulation through the issuance of bonds supported by the credit, and to serve other purposes in regard to which plans were being formulated. He said that he wanted the credit advanced first and that the plans for utilization would be forthcoming afterwards. He expressed the desire that the credit be granted as soon as possible in order to improve morale. He referred to the fact that Chinese New Year was coming soon (early in February) and said that he hoped the credit would be granted before then. He asked the Ambassador to transmit his request and comments to the American Government.

The Ambassador said that he would, of course report immediately and faithfully to the American Government the request and observations made by General Chiang, adding that he felt confident that the American Government would be disposed to give sympathetic consideration to any reasonable proposals for aid to China in her resistance to Japan. He stated that he believed, however, that he could be of assistance to General Chiang as well as to his own Government if he were to suggest that the request made by China should be accompanied by a careful presentation of the needs of the situation in

this country and a careful outline of the measures to be taken to meet the situation—the measures China proposes to take to help herself and the measures to be undertaken with any American loan or credit. These were matters in which the considered opinions and studies of the financial experts and advisors of the Chinese Government would be most helpful. He pointed out that the American Congress has control of the national funds in the United States, and when the executive branch of the American Government has need of funds a careful statement of the needs must be prepared and submitted to the Congress and it must be shown how the funds, if appropriated, are to be applied. The same fundamentals would seem to apply in the case of a request for a loan to a foreign Power; the American Government should have before it a careful statement of the needs and of the measures to be undertaken with the funds from the loan; this would seem to be desirable in a study of the matter by the executive branch of the Government as well as in presentation of any request to the Congress for an appropriation or for an authorization to grant the loan. Mr. Gauss continued that he did not wish to appear to be quibbling; he was not suggesting that the Generalissimo formulate proposals as to the terms and conditions of the loan he seeks; but he did suggest the need for a more detailed and precise statement of the needs of the situation and of the measures to be undertaken with the funds sought by way of a loan or credit. Mr. Gauss pointed out that America had already extended substantial financial aid to China—by way of import-export bank credits, a stabilization fund loan, and appropriation of large sums for lend-lease supplies which were being moved as rapidly as possible to China. He felt that the American Government would be disposed to give sympathetic consideration to China's needs, but suggested that those needs be stated more precisely along with the proposals as to the purposes and manner in which any loan would be applied.

General Chiang replied that the plans for the use of the proposed credit or loan were now being drawn up by the financial experts and advisors of the Government; when the loan is assured, these proposals can be put forward; meanwhile he requested that the Ambassador put forward to the American Government the request for a loan.

Mr. Gauss inquired whether the Generalissimo could tell him for example, whether the proposed loan and the measures to which it was to be applied, had been suggested, recommended, or approved by Sir Otto Niemeyer, the head of the British Economic Mission to China. General Chiang said that Sir Otto was informed of the request and it had been put forward to the British Government. (He carefully avoided saying whether Niemeyer had supported the proposal.)

The Ambassador continued, in a fully sympathetic manner, to impress upon General Chiang the importance of a more complete presen-

tation of the proposals. He acknowledged the Generalissimo's statement that the loan sought is more in the nature of a political loan than an economic loan, but pointed out that it would seem most desirable to submit a more complete presentation of the situation to the American Government, but General Chiang's replies were evasive and confined to reiteration of the request that the proposal for the loan be communicated to the American Government; information on the measures and manner in which the loan would be applied could be forthcoming later when the financial experts and advisors had completed their studies.

The Ambassador stated that he would return to the Embassy and report the Generalissimo's request and observations fully and sympathetically to the American Government.

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

893.51/7381 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, January 9, 1942—2 p. m.

[Received January 9—8:04 a. m.]

29. TF-13. From Fox for the Secretary of the Treasury:

"Dr. Kung, who is convalescing from what has been variously diagnosed as typhus, typhoid, and para-typhoid, asked me this morning through Madame Kung to transmit following reply to your message of December 16 (section 4 of your 304).⁴⁰ Understand that message was prepared after consultation with Generalissimo, Vice Minister of Finance, O. K. Yui, participating. Message reads:

'Secretary Morgenthau. Deeply appreciate your message December 16th through Fox. Heartily agree with you on outcome of war. Thank you for considering preliminary proposal sent through Cochran but this no longer practical since spread of war in Pacific altering economic as well as strategic situation. For four and a half years China has been fighting war of resistance with untold sacrifices and heavy strain on her resources. Her financial and economic situation is now in precarious state. Brave soldiers at the front ill-fed and ill-clothed while livelihood of people difficult due to rising prices. Necessary keep control of prices and currency without curtailing production. If financial and economic front, already very critical, should collapse, impossible to carry on war.

Present world war developments make it imperative for democratic countries to pool their military and economic resources as their existence and survival are interdependent. Therefore, I appeal to you for a \$500,000,000 political war loan. We have also approached Britain for a 100,000,000 pound loan in order to cover the total amount needed, and are awaiting their reply. Am confident if you will lead they will follow. Purpose is to replenish reserve in order to restore

⁴⁰ Department's telegram No. 304, December 16, 1941, 9 p. m., not printed.

confidence in currency, restrain prices, offset diminished imports by increased production, and meet other urgent war needs. On economic grounds as well as from the standpoint of joint military front there are sound justifications for the loan but frankly my reason for approaching you is above all political. The import of such a loan is even more important than that of the Lease Lend-Bill. Timeliness is the essence of such a move in order to show China's confidence in the allied powers is matched by equal confidence of allied powers in China in the most crucial months of emergency immediately ahead. Early announcement of loan would have immediate effect throughout Asia including Japan our common enemy as well as electrifying Chinese public opinion. Appreciation of your keen and continuing interest in China gives me confidence in sending you this telegram. H. H. Kung.'

My comment follows in a separate telegram."⁴¹

GAUSS

893.51/7387 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, January 9, 1942—3 p. m.

[Received 7:47 p. m.]

30. For the Secretary of the Treasury from Fox: TF-14. Following is my comment on telegram TF-13.

[Chinese] attitude here changed during the past few days from one of despair to one of firm insistence on financial aid. Doubt if any formal restrictions can be imposed now. Some form of control highly desirable to assure that maximum benefit would go China and the Chinese people. Believe that if early announcement of large loan can be made it would have desired psychological effect and provide better opportunity for obtaining some informal safeguards should all controls prove impossible.

If impracticable to tie up Stabilization Board with loan, could American representation be provided not as a protection for the United States but in order to make certain that most effective use would be made of funds in strengthening financial and economic structure of China? [Fox.]

GAUSS

893.51/7386

Memorandum by the Adviser on Political Relations (Hornbeck) to the Secretary of State

[WASHINGTON,] January 10, 1942.

MR. SECRETARY: We have enough evidence, I think, regarding the need for us to make a loan to the Chinese, from point of view of politi-

⁴¹ *Infra.*

cal motivation. It is believed that it would be desirable for us to proceed with this matter promptly without waiting to negotiate or confer with the British about it. It is believed that if we act in a given direction and set the pace, the British will follow along. It is believed that, whether that assumption is or is not made, we should act; and that it is desirable that we give the Chinese a promise before it may become necessary to admit defeat in the Philippines (and possibly defeat in Malaya).

It is recommended that arrangements be made and an assurance be given to Chiang Kai-shek within a very few days that a loan will be forthcoming from this country, in the amount of not less than \$300 million—and preferably \$500 million.⁴²

S[TANLEY] K. H[ORNBECK]

893.51/7386

The Secretary of State to the Secretary of the Treasury (Morgenthau)

WASHINGTON, January 10, 1942.

MY DEAR MR. SECRETARY: Reference is made to Generalissimo Chiang Kai-shek's request of December 30, 1941 that the United States Government provide China with \$500,000,000 of financial help in order to support Chinese morale and prevent the effects of further depreciation of the Chinese currency and deterioration of the fundamental economic situation in China (Ambassador Gauss' telegram 548 of December 30, 1941⁴³). Reference is also made to Ambassador Gauss' recommendations thereon as transmitted in his telegram 549 of December 31, 1941,⁴⁴ and to informal discussions of the matter by officers of the State and Treasury Departments and with Mr. Lauchlin Currie.

The Generalissimo's proposal has been given very careful consideration. I feel that, as an act of wartime policy and to prevent the impairment of China's military effort which would result from loss of confidence in Chinese currency and depreciation of its purchasing power, it is highly advisable that the United States extend financial assistance to the Government of China in amounts up to \$300,000,000 at the present time. I believe that a determination of this Government's policy to this effect need not await ascertainment of the attitude to be taken by Great Britain on the similar Chinese proposal with reference to sterling credits.

⁴² Notation by the Adviser on International Economic Affairs (Feis): "I wholly agree. I strongly recommend that you discuss this with the President at once with a view towards making immediate decision in principle. Thereupon I believe (1) you should inform the Chinese gov't (2) immediately inform the Brit. gov't & express the hope they will take immediate similar action. H. F."

⁴³ *Foreign Relations*, 1941, vol. v, p. 768.

⁴⁴ *Ibid.*, p. 771.

I feel that the greatest possible expedition in reaching a position where an announcement can be made is highly important. I feel also that it would seem to be highly desirable that the British Government be kept currently informed of our views and decisions in regard to this matter in order that the British Government may be afforded opportunity, should it so desire, to take simultaneous and comparable action.

Sincerely yours,

CORDELL HULL

893.51/7384 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, January 12, 1942—11 a. m.

[Received January 12—6:36 a. m.]

33. TF-15. From Fox for the Secretary of the Treasury.

"Have been requested by Generalissimo and Dr. Kung to return for brief period to report to you on the Chinese internal financial and economic situation. Leaving tomorrow at 24 hours notice."⁴⁵

GAUSS

893.51/7459½

*Memorandum by the Assistant Chief of the Division of Monetary Research, Treasury Department (Coe), to the Secretary of the Treasury (Morgenthau)*⁴⁶

[WASHINGTON,] January 12, 1942.

Subject: Secretary's Proposal for Loan to China.

I. The proposal of the Secretary is that the United States should assist China in financing her military expenditures, and particularly the pay and maintenance of the Chinese soldiers.

Preliminary examination indicates that a loan to China along the above lines can achieve the major objectives which should be the goals of this government in relation to the present loan. It would be desirable, if the President agrees, to tell the Generalissimo that the Secretary is ready to discuss this proposal, among others, and to make a public announcement that negotiations have begun.

However, there are a number of different ways in which the Secretary's proposal might be carried out, and each of them needs to be explored.

In view of the fact that a good deal of information essential for a decision is lacking, and that each of the possible ways for carrying

⁴⁵ Mr. Fox was delayed three days in leaving Chungking and detained a number of days in India due to air transportation difficulties.

⁴⁶ See memorandum of January 13 by the Adviser on Political Relations (Hornbeck), *infra*.

out the Secretary's proposal has its strong and its weak points, it would seem desirable that the announcement should be general, and not be confined to a specific proposal.

II. Some of the possible ways whereby the United States could finance Chinese military expenditures are the following:

1. Shipment of United States' currency to China and its issuance there as pay for soldiers and other military expenditures.

2. Shipment of United States' currency to China and its issuance there for the purchase of rice and other products for distribution to and use by the army.

3. Giving China dollar accounts in the United States, against which she could issue bonds, the *fapi* proceeds of which could be used for military expenditures.

4. Giving China earmarked gold, against which bonds could be issued as above.

In order to evaluate these and other proposals, we ought to know more than we do as to how the Chinese Government is now paying its soldiers.

Our present information is only that some yuan payments are made and some rice payments are made, and that there is considerable variation in the amount and method of payment. Particularly with regard to the proposal to distribute United States currency in China, either for pay or for supplies, it is necessary to obtain more information as to how the people and the Government would react to this procedure.

III. A preliminary listing of the pros and cons of the most novel of these proposals, (proposal number 1 above) is given below.

IV. Advantages of using United States' currency to pay soldiers and to meet other military expenditures in China.

1. This proposal is in accordance with the political aim of the loan—to assist Chinese military effort.

2. This kind of loan would meet the political necessity of making a large and spectacular loan. By relating the size of the loan to the size of Chinese military expenditures, this proposal helps to settle the question of how large the loan should be.

3. The Secretary's objective of paying out the money in installments, while fighting was going on, would be achieved.

4. This loan should secure the good-will toward the United States of the soldiers, ordinary people and the Government. This would be particularly true, if the amount paid out to the army meant that the effective purchasing power of the average soldier was increased.

5. This proposal is in the direction of attempting to make the U.S. dollar currency into an international money.⁴⁷

⁴⁷ Marginal notation by the Adviser on Political Relations (Hornbeck): "Were H[enry Morgenthau?] and C[ordell Hull?] enthusiastic about this?!"

6. In so far as the soldiers and suppliers of military goods would accept U.S. dollars, the fight against inflation would be helped, since the need to issue more Chinese currency for these purposes would be eliminated.

7. Because the dollars would be hoarded by some people, the tendency to hoard goods would probably be diminished. Not only because of the inflation, but also because Chinese traders and merchants have had considerable experience with various currencies, it would be more feasible in China than elsewhere to introduce a foreign currency into the monetary system.

8. It would be possible to meet these payments from Lend-Lease, if this method is thought preferable to use of the Stabilization Fund or to an authorization from Congress to lend to China.

A number of the above advantages could also be achieved by the issuance of bonds, payable, when due, in U.S. dollars. The use of U. S. currency to pay for rice to be distributed to the troops would also share in some of the above advantages. If it proves to be true that the amount of yuan now paid to the troops is not large, and if it is doubtful that the troops would accept pay in U.S. currency, the proposal to buy rice and other supplies with U.S. currency may be more feasible than proposal II 1.

V. Disadvantages of the proposal.

1. Chinese soldiers and ordinary people might be unwilling to accept United States' dollars, because all their purchases are made in yuan; because of the novelty of the currency; and because the denominations which could be eventually shipped, would be too large for their purposes. Accordingly, the government would have to provide yuan equivalent and there would be no diminution in the amount of Chinese dollars printed.

2. The United States' dollars which were issued would be hoarded and speculated in only by the wealthy. There would be thousands of black markets with rates different from the official one.

3. The Chinese people might interpret the issuance of the new currency to mean that the yuan were to be recalled, or abandoned. Therefore, the confidence in the Chinese currency might be still further undermined. The Japanese, along with the Chinese speculators, would want to obtain United States' dollars for the plentiful stocks of *fapi* which they held. Their throwing of these *fapi* on the market would further decrease the value of Chinese currency.

4. The difficulties of safe transport would be large. \$10 million worth of \$1. United States' notes weigh over ten and a half tons, or, just about what the same value of gold would weigh. \$10 million worth of \$5. notes weigh over two tons. Shipment of this amount of small notes by air would, therefore, be a considerable undertaking,

at a time when much precious cargo must be flown. The transport of this precious cargo over the Burma Road would require a good deal of armed protection. Both governments would use up a good deal of energy and administrative ability on this problem of a safe transport. (The transport difficulties could, of course, be greatly reduced if the United States' currency were used to purchase supplies, and not for the pay of soldiers.) ⁴⁸

5. Payment of United States' dollars to the troops might increase corruption in the army. There might be, in addition to the incentive to profiteer on the soldiers, a large number of spurious supply contracts.

6. Dissatisfaction of the soldiers with the rate of purchasing power of their pay might be deflected from the Chinese to the United States' Government.

7. Speculators, exchange traders and sharpsters of all sorts, would prey upon the poor persons who receive the United States' dollars, and would deprive them of the benefits which the dollar payments are intended to secure.

8. The Generalissimo and many other Chinese might regard this proposal as a method of making China dependent upon the United States through depriving her of a separate monetary system.

893.51/7393

*Memorandum of Conversation, by the Adviser on Political Relations
(Hornbeck)*

[WASHINGTON,] January 13, 1942.

Participants: Mr. Morgenthau, Secretary of the Treasury
 Mr. Daniel Bell, Under Secretary of the Treasury
 Mr. Jacob Viner, Special Asst. to Secretary of the Treasury
 Mr. Bernard Bernstein, Assistant General Counsel of Treasury
 Mr. Coe, and other officers of the Treasury;
 Mr. Lauchlin Currie;
 Mr. Hornbeck

At the request of Mr. Morgenthau, conveyed to me orally late yesterday afternoon by Mr. Coe, I went to Mr. Morgenthau's office this morning at 9:15. I found there the other officers above listed.

Mr. Morgenthau opened the conversation with reference to a meeting which had been held in his office yesterday afternoon in the course of which he had suggested that U.S. financial assistance to China

⁴⁸ Marginal notation by Mr. Hornbeck: "Tonnage on cargo is not measured by weight".

(Chiang Kai-shek's request for a loan) might perhaps be handled advantageously by means of this Government's undertaking to devote certain sums of money per month to the support of Chiang Kai-shek's army (payment of soldiers). Mr. Morgenthau said that Dr. Soong had reacted very favorably. He went on to say that last evening he had dined at the British Embassy and had been "very indiscreet—and had enjoyed being so". He said that he had talked with Lord Halifax⁴⁹ and Mr. Churchill; that he had caused Churchill to put his mind intently upon China for a whole hour; that both Halifax and Churchill had responded favorably to the financial idea which he, Mr. Morgenthau, had propounded; that Churchill had said that in whatever direction the U.S. Treasury might wish to proceed toward support of China, England would go along. Mr. Morgenthau said that he had mentioned Sir Otto Niemeyer, his presence in China, and suggestions which he was reported to have made. He said that Mr. Churchill or Lord Halifax (??) had said that he knew Niemeyer well, that . . . he wondered who had sent him to China, and that they would pull him out immediately. Mr. Morgenthau said, as an aside, that he would wager that a hot telegram had gone out from the British Embassy about Niemeyer last night. Mr. Morgenthau then threw open for discussion his proposal.

Mr. Coe said that a memorandum on the subject had been written last night. A copy of that memorandum was on Mr. Morgenthau's desk. Mr. Coe gave Mr. Currie and me copies.⁵⁰ With apparently little reference to the memorandum, the Treasury officers and Mr. Currie then engaged for twenty minutes in a lively discussion of U.S. dollars, silver dollars, Mexican dollars, U.S. paper dollars, "fapi", rice, etc.

Finally, Mr. Morgenthau's secretary reminded him of another engagement. Mr. Morgenthau asked me what the Department of State thought of his proposal. [I had been informed briefly yesterday afternoon by Mr. Coe of the fundamental feature of the proposal; and I had informed the Secretary and Mr. Berle and Mr. Hamilton⁵¹ of it; and I had the first reaction of each.]⁵² I replied to Mr. Morgenthau that this matter had been brought to our attention only late yesterday afternoon and I could not say that there had been formulated a State Department opinion. I would wish to point out, however, on my own responsibility one or two things. First, Chiang Kai-shek had asked for a loan in terms which indicated that he wanted something which would be of political advantage to him, the situation in China and his problems being what they are. I sketched briefly what I conceived

⁴⁹ British Ambassador in the United States.

⁵⁰ *Supra*.

⁵¹ Maxwell M. Hamilton, Chief of the Division of Far Eastern Affairs.

⁵² Brackets appear in the original.

to be the political problem. I said that I did not think that it would be practicable for us to envisage making ourselves paymasters of the Chinese soldiery; that the situation does not lend itself to that; that our problem is that of clearly indicating to the Chinese nation and all concerned that we have confidence in China, in China as represented by and functioning through the Chiang Kai-shek (Chungking) Government; and that we intend to give a full measure of practical support to China in terms of that Government as an important member in the United Nations group.

Mr. Morgenthau then asked that the group, except himself, adjourn to Mr. Bell's office and continue the discussion.

In Mr. Bell's office there was about thirty minutes of discussion. There, Dr. Currie and Dr. Viner brought matters down to earth and emphasized the fact that if we make this loan we will make it for the purpose of attaining certain political objectives, that we must do it in a way which will best serve those objectives. I called attention to the telegraphic reports which we have had of what Chiang Kai-shek said to Mr. Gauss, Mr. Gauss' comments thereon, Mr. Fox's comments and suggestions, Dr. Kung's message, etc. I emphasized that the problem involved is first of all political, that we must try to understand clearly the essential features of that problem and then try to shape our action in the light of those features and with our eyes on the main objectives to be served. Mr. Bell summed the matter up in a manner which led to my remarking that Mr. Bell's words were almost identical with a statement which I had heard the Secretary of State make and I called attention to the Secretary of State's letter of January 10.

I walked from the Treasury Department to this Department with Dr. Currie. I find that Dr. Currie's views coincide largely with those held here, but that Dr. Currie has some concept of being able to make additional financial aid to China available through Lend-Lease channels. I mentioned as possibly advantageous in theory at least the procedure of proposing that a congressional authorization and appropriation be obtained—for the sake of the emphatic political effect both here and in China of such action.

S[TANLEY] K. H[ORNBECK]

893.51/7395

*Memorandum of Conversation, by the Adviser on Political Relations
(Hornbeck)*

[WASHINGTON,] January 14, 1942.

Mr. Coe informed me, on behalf of the Secretary of the Treasury, late yesterday afternoon, as follows:

Mr. Coe said that after the conference in Mr. Morgenthau's office yesterday morning Mr. Morgenthau had gone to the President. Mr.

Morgenthau later had stated that he had put before the President his, Mr. Morgenthau's, plan for assisting China by advancing sums of money monthly for payment of soldiers, that the President was enthusiastic; that it had been agreed that Mr. Morgenthau should propose to T. V. Soong that United States undertake to advance money monthly for "payment" of 1,000,000 Chinese soldiers at rate of \$5 U. S. currency per month and, further, money for "maintenance" of another million Chinese soldiers at the same rate, \$5 U. S. currency per month; that Mr. Morgenthau had put this up to T. V. Soong; and that T. V. Soong was telegraphing to his Government.

I asked Mr. Coe whether Mr. Morgenthau or the President had consulted the Secretary of State with regard to this. Mr. Coe indicated that he thought that they had not. I asked whether, in as much as it seemed to be agreed in all quarters that this matter was of importance first of all from political angles, it would not seem to him that the Secretary of State should be consulted and should participate fully in reaching a decision. Mr. Coe said that the matter seemed to have been decided and that Mr. Morgenthau was going to leave town tomorrow (this morning) to be away for about a week: he was to leave this loan matter in the hands of Mr. Bell. Mr. Coe suggested that if I wished to make any suggestions to Mr. Morgenthau I telephone him at his home.

The above reported conversation having been concluded, I immediately informed the Secretary of State and I a few minutes later informed Mr. Livesey and still later Mr. Berle of what had been said. Later in the evening, I discussed the matter with Mr. Jacob Viner, of the Treasury. In the light of what was said in those conversations, I decided to take no further action last evening. I have this morning discussed the matter further with Mr. Livesey.

S[TANLEY] K. H[ORNBECK]

893.51/7395a

The Adviser on Political Relations (Hornbeck) to the Under Secretary of the Treasury (Bell)

WASHINGTON, January 14, 1942.

DEAR MR. BELL: Mr. Coe, speaking, I understood, under instructions from the Secretary of the Treasury, informed me yesterday afternoon of latest developments in the matter of the proposed new financial assistance to China.

Without undertaking in this context to express an opinion regarding the merits of the plan which I understand was decided upon by the Secretary of the Treasury and the President yesterday, and laid before Dr. T. V. Soong, I wish to go on record as asking, on my own responsibility and in light of the fact that the Treasury has drawn

me into the discussion of the matter, whether the procedure envisaged in this plan, whatever may be the other objectives which it might serve or effects which it might have, can be expected to serve substantially either the political or the economic objectives which apparently have been in Chiang Kai-shek's and H. H. Kung's minds in connection with the appeals which they have made for a loan and in the minds of Mr. Gauss and Mr. Fox in connection with the comments and suggestions which they have offered in relation to the question of a loan, and which have been in the minds of officers of the Department of State who have studied those appeals, comments and suggestions and the situation out of which they arise.

I am sending you here enclosed, for strictly confidential use, a digest of telegrams which have borne on this subject.⁵³

Yours sincerely,

STANLEY K. HORNBECK

893.51/7372 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, January 16, 1942—7 p. m.

29. Your 548, December 30, 6 p. m.⁵⁴ Some weeks prior to the receipt of your telegram under reference I spoke to other officials here in regard to the advisability of this Government's extending a large loan to China. After receipt of your telegram I spoke again about the matter. I also recommended to the Secretary of the Treasury that a loan, substantial in amount, be made.

A few days ago the President took the matter up with the Secretary of the Treasury and I understand that the Secretary of the Treasury has been giving the matter most active consideration and that the Secretary of the Treasury has communicated to T. V. Soong the outline of a specific proposal which Soong is referring to his Government.

HULL

893.51/7397½

Memorandum by the Adviser on Political Relations (Hornbeck) to the Secretary of State

[WASHINGTON,] January 23, 1942.

MR. SECRETARY: Reference first four lines of this report.⁵⁵

It is by no means inconceivable that the Japanese expect to take Java, Sumatra, the Philippines and Rangoon by the end of February;

⁵³ Digest not printed; telegrams printed separately.

⁵⁴ *Foreign Relations*, 1941, vol. v, p. 768.

⁵⁵ i. e., paraphrase of a message received in the War Department on January 22 from the Military Attaché in Portugal, and received in the Department of State on January 23, the lines under reference reading: "A recent statement by a Japanese diplomat says that Japan expects to terminate the war in the Pacific in February by taking Java, Sumatra and the Philippines and by closing the Burma Road. Peace between China and Japan would soon follow."

and by no means impossible that, regardless of resistance at Singapore, they may accomplish all that.

If it should so happen, Japanese pressure on China to make peace would be intense, and a tendency to accept the "logic" of the situation and cease resistance would be given momentum in some quarters in China.

Conclusion of peace between China and Japan would be a terrible blow to the United Nations cause. If Japan once gets undisputed control of the terrain, the natural resources and possibly the man power of China (in addition to the continental area south of China and the insular areas in the Western Pacific) the British Empire will soon have been smashed, the British Isles will have little chance of standing out for long against the Axis, and the likelihood of this country being left as the sole fighting enemy of the Axis powers would be great.

It behooves us to have these possibilities in mind in connection with the consideration which we give to Chiang Kai-shek's request for a large loan at an early date from this country. It is believed that by way of political and military insurance, we could well afford to and we should make a favorable response at an early date to Chiang's representations in that matter. Now is the time for us to tie China into our war (which still is her war) as tight as possible. If we fail to do this, because of misgivings or peculiar solitudes regarding the amount of money involved, an amount which is small in comparison with our cheerful outlays for military equipment, we stand a substantial chance of losing within a few weeks or months the strongest (in the Pacific) of our three fighting associates in that area.⁵⁶

S[TANLEY] K. H[ORNBECK]

⁵⁶ Attached is further comment by Mr. Hornbeck as follows:

"Incidentally, and while on the subject, I feel moved to remark: The apparent lack, of which I have new evidence every day, of adequate understanding on the part of high officials of this Government of the miracle of warmaking which the Chinese have performed during the past four and one-half years, not excluding the period since we entered the war, and the apparent inability of many high officials, both civilian and military, in this Government, adequately to evaluate the existing and the potential war spirit and war capacity of the Chinese nation as a member of the fighting group within the United Nations association is amazing, distressing and alarming. As the minister of a foreign power here in Washington recently stated, this war in which we are engaged cannot be won in the Far Eastern theater but it could be lost there. Neither the British Government nor the American Government makes one-half the effort that each and both should make to evaluate accurately the psychological factors involved in the question of China's functioning as an outstandingly valuable 'ally'."

893.51/7419

*Memorandum of Conversation, by the Adviser on Political Relations
(Hornbeck)*

[WASHINGTON,] January 26, 1942.

Participants: Mr. Frank A. Southard, Mr. Bernard Bernstein, Mr. Friedman of the Treasury;
Mr. Berle;
Dr. Feis;
Mr. Hornbeck.

The Secretary's office called Mr. Hornbeck this morning and stated that the Secretary of State and the Secretary of the Treasury had been conferring about the proposed loan to China⁵⁷ and it had been agreed that Mr. Southard of the Treasury should confer with Dr. Feis and Mr. Hornbeck about the matter. A few minutes later Mr. Southard called Mr. Hornbeck and asked for an appointment with Mr. Hornbeck and Dr. Feis. Mr. Hornbeck suggested, for reference to the Secretary of the Treasury, that Mr. Berle and Dr. Currie be also included. Mr. Hornbeck next asked the Secretary's office for the Secretary's authorization to make that inclusion. This was approved. The Secretary shortly thereafter suggested to Mr. Hamilton that Mr. Hamilton keep in touch with this matter.

At 2:30 this afternoon Messrs. Southard, Bernstein and Friedman came to Mr. Hornbeck's office and were taken by Mr. Hornbeck down to Mr. Berle's office. Dr. Feis shortly thereafter joined the group. Dr. Currie was out of town. Mr. Hamilton was occupied with other and necessary business.

In the discussion in Mr. Berle's office, points were brought out as follows:

Mr. Hornbeck said at the outset that he was present because he had been told to participate and had been involved in organizing the meeting; he said that he had already expressed, in his capacity of political adviser, his views regarding the general subject under discussion.

Mr. Berle expressed an opinion that Mr. Hornbeck could not so easily divest himself of responsibility in relation to procedures which might follow. Mr. Berle briefly summarized his concept of what had occurred up to date with regard to Chiang Kai-shek's request for a loan, and concluded his statement with an expression of opinion that the project for more or less directly financing the Chinese armies had met with a conclusively unfavorable reply by Chiang Kai-shek.

⁵⁷ See letter of January 21 from the Chinese Minister for Foreign Affairs to the Secretary of the Treasury, Department of State, *United States Relations With China* ([Washington,] 1949), p. 478.

Mr. Bernstein indicated that, such being the case, the problem before this meeting was to consider what to do next. Mr. Friedman made mention of the question of turning dollars into yuan and deciding upon amounts and periods involved.

Mr. Hornbeck suggested that attention be focused first of all on what it is that Chiang Kai-shek has asked for: he recalled that in several telegrams Chiang has requested a loan of \$500,000,000 "without strings". He touched upon what he conceived to be Chiang's view of the problem and the possibilities. He said that in essence what Chiang apparently wants is an expression of confidence on the part of the United States in China, China's moral and military intentions and capacity, the Chungking Government, and Chiang Kai-shek. Chiang's problems are political, military and economic. The Chinese want the fullest possible recognition of their full participation in the associated effort of the United Nations in resistance to the common enemies; they want to be treated and be treated with as we treat and treat with the British and others with whom we deal on a basis of human parity. For our purposes, we should consider the problem of this loan as one concerned primarily with political features and only in a very minor sense with financial features. If we make this loan, we should make it to serve political and military objectives, not as a business or a banking deal. We should make the loan promptly and in generous amount. Could we not say to the Chinese at an early date that we are definitely prepared to support them to the extent of several hundred million dollars and we are ready to discuss with them plans and procedures which need to be adopted by common consent.

Mr. Friedman and Mr. Berle raised certain questions regarding possible safeguards and possible fractionalizing of the total sum into monthly or quarterly amounts.

There came up the question of official and unofficial opinions. Mr. Hornbeck stated that the Department of State had committed itself officially in one context only: in response to a request which had issued from a meeting held at the Treasury some ten or twelve days ago the Secretary of State had sent the Secretary of the Treasury a letter recommending that a loan be made in the amount of, say, \$300,000,000 as soon as possible. Mr. Bernstein raised question regarding a State Department memorandum of January 23.⁵⁸ It turned out that this was a memorandum which had been prepared by Messrs. Berle and Feis and been concurred in by Messrs. Hamilton and Hornbeck, for the Secretary of State, of which, apparently, the Secretary of State had given the Secretary of the Treasury a copy. Mr. Hornbeck expressed opinion, later concurred in by Mr. Berle, that this was not to be

⁵⁸ Not found in Department files.

regarded as an official commitment or communication by or on the part of the Secretary of State but was to be regarded as something affording a basis for discussion.

Dr. Feis said that he would recommend that the Congress be asked to appropriate \$500,000,000 with an understanding that details would be worked out between the Chinese and the appropriate agencies of the American Government.

Mr. Hornbeck called attention to the fact that the Chinese had asked not only of this Government a loan of \$500,000,000 but also of the British Government a loan of similar amount, the two together to be \$1,000,000,000. He suggested that we keep this in mind while considering what sum we might be willing to put up. One of the Treasury officials asked for an opinion how far we should try for parallel action by the British. Mr. Hornbeck pointed out that the Secretary of State had suggested that we should not wait upon action by or with the British but should inform the British of our thoughts and intentions, affording them an opportunity to take action in the light of their knowledge of our action. He suggested that frequently one of the best ways to get the British to act is to take action and expect them to act in order to save themselves from being left behind.

Mr. Berle said that if it were a matter of having to choose between giving the Chinese a loan of \$500,000,000 without strings or losing the potentially advantageous political effects of a loan through too great solicitude with regard to strings, he would favor the former.

There appeared to be a consensus of opinion that if it could be decided that a loan could be made in substantial amount, and if the Chinese could be informed of this fact with an indication that this decision was tentative and there must be knowledge on our part of and conference regarding purposes for which the Chinese would expect to use this assistance, safeguards could be provided, by discussion, which would serve purposes useful both to China and to United States.

In the course of a brief after-meeting discussion with Messrs. Southard, Bernstein and Friedman, Mr. Hornbeck by way of summarizing gave a brief review of American-Chinese relations in the field of loans and credits over the period of the last three decades, especially the period from 1933 to date, and said that he felt that we have a good deal of leverage in regard to Chinese handling of the proceeds of a loan in the fact that while profiting by one loan the Chinese have their minds on the subject of a later to-be-hoped-for loan. He said that he felt that we could gain great present advantage in connection with our problem of the war in its present defensive stage through being generous now with the Chinese, being helpful to maximum extent to Chiang and his major leaders, convincing the Chinese that we expect to help them to the full extent of our capacity and expect them to reciprocate, et cetera; he felt that, first, the Treasury and the President

must find a basis on which we can make a promise in principle; second, we should say to the Chinese that we are in position to make them a substantial loan and that we would appreciate having them give us an outline of their concept of uses to be made and having certain persons representing them sit with representatives of the Treasury Department and representatives of the State Department with a view to adoption of a plan freely acceptable to both Governments.

S[TANLEY] K. H[ORNBECK]

893.51/7397

Sir Frederick Phillips of the British Purchasing Mission to the Secretary of the Treasury (Morgenthau) ⁵⁹

WASHINGTON, January 27, 1942.

DEAR MR. SECRETARY:

CHINA

Mr. Eden ⁶⁰ has now telegraphed that he and the Chancellor of the Exchequer have considered with every sympathy General Chiang Kai-shek's recent request for financial assistance. They propose to inform him that His Majesty's Government have decided to make available to China under a lend-lease arrangement all munitions and military equipment that it is possible for them to supply. In particular this proposal would apply to stores which are being supplied to Chinese forces now operating in Burma.

Before communicating this proposal to General Chiang Kai-shek His Majesty's Government wish to make sure that it will fit in with any proposal which the United States Government have in mind.

As regards a further financial loan, His Majesty's Government are ready to go forward with the scheme for a loan of £10 millions and \$50 millions worked out by Sir Otto Niemeyer and Mr. Arthur Young ⁶¹ if the United States Government are ready to take parallel action. But they do not feel able to offer a very large "psychological" sterling loan. Such a sterling loan would not be of actual help in present circumstances. After the war it would represent money available to China for the purchase either of goods or of gold and dollars and we should be deliberately adding to future difficulties in securing the equilibrium of our post-war balance of payments. The United States Government is in a position to take an independent decision, should they wish not only to take part in the Niemeyer-Young scheme, but also to offer further dollar loans. His Majesty's Government are merely stating their own position.

Yours sincerely,

F. PHILLIPS

⁵⁹ Copy handed on January 27 to H. Merle Cochran of the Board of Economic Operations by Sir Frederick Phillips.

⁶⁰ Anthony Eden, British Secretary of State for Foreign Affairs.

⁶¹ American Adviser to the Chinese Ministry of Finance.

893.51/7416

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] January 28, 1942.

PROPOSED LOAN TO CHINA

Mr. Gray⁶² informed me this morning that the Secretary had expressed in terms of a query the thought that it would be desirable for this Government to inform the Chinese at an early date that we are prepared to make them a substantial loan and to discuss with them such points as may need to be discussed in relation thereto.

Having in mind the conversation which was held in Mr. Berle's office on January 26 between officers of this Department and officers of the Treasury Department on the subject of the proposed loan to China, I called Mr. Southard of the Treasury Department on the telephone and informed him of the above mentioned expression of the views of the Secretary of State. I inquired whether Mr. Southard had seen information which came yesterday from Mr. Fox to the effect that Mr. Fox has been delayed at Calcutta. Mr. Southard replied that the Treasury had received Fox's message and had already replied to it. I pointed out that Mr. Fox obviously will not reach Washington at the end of this week. Mr. Southard replied that Fox could not reach here before February 5 at best. I expressed a hope that the Treasury was finding it possible to make progress with consideration of the question of a loan. Mr. Southard replied that Mr. White has now arrived back from South America and is again "on the job", and that the question of a loan is being given the Treasury's active consideration. I thanked Mr. Southard and expressed a hope that they would keep us constantly informed of developments. Mr. Southard indicated that he would try to do so.

S[TANLEY] K. H[ORNBECK]

893.51/7518

Memorandum of Conversation, by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] January 28, 1942.

PROPOSED LOAN TO CHINA

Mr. White of the Treasury Department called me on the phone late this afternoon and between us there was reviewed what has transpired regarding the currently proposed loan to China. (Mr. White has been absent from Washington since shortly after this subject first came up and had returned to Washington this morning.)

⁶² Cecil W. Gray, Assistant to the Secretary of State.

In the course of this conversation, Mr. White said that the Secretary of the Treasury had stated to him that the Secretary of State had said that there was no urgency about this matter and it could well wait until Mr. Fox reaches Washington. I made comment that I would assume that such a statement, if made by the Secretary of State, had been made in the light of an understanding that Mr. Fox was to reach Washington by the end of this week; but that, in as much as we now know that Mr. Fox cannot be here before February 5 if then, I doubted whether any such statement should be regarded as contemplating other than the originally expected interval of time. I made mention of the Secretary of State's expression of opinion relayed to me by Mr. Gray this morning, which I had relayed to Mr. Southard this afternoon, that it would be desirable to act on this matter at an early date.

There followed some discussion of the political aspects of the loan. Mr. White said that he was not surprised that Chiang Kai-shek had reacted unfavorably to the proposal which had been made by the Secretary of the Treasury through T. V. Soong to Chiang.⁶³ I emphasized the point that in any discussions which may be had with the Chinese, it would seem desirable that this Department's views as well as those of the Treasury be given full consideration. Mr. White inquired whether the Secretary of State had not been a party to the plan which had been proposed to the Chinese. I replied that the Secretary of State had been in no way a party to that proposal and that the only participation which this Department had had in discussion of that proposal was participation on my part, at the request of the Secretary of the Treasury, in course of which I had expressly stated that I was expressing only my personal opinions and was not speaking officially or as representing an official Department of State view.⁶⁴

Mr. White indicated that he would try to push matters in consideration of the loan with the Treasury Department's experts tomorrow.

S[TANLEY] K. H[ORNBECK]

893.51/7459

The Secretary of the Treasury (Morgenthau) to the Secretary of State

WASHINGTON, January 29, 1942.

MY DEAR CORDELL: The President returned to me the letter which I received from T. V. Soong, dated January 21, 1942,⁶⁵ and attached

⁶³ See memorandum of January 12 by the Assistant Chief of the Division of Monetary Research, Treasury Department, p. 435.

⁶⁴ Mr. Hornbeck here apparently is referring to a conversation he had with Treasury officers on January 13; see his memorandum of conversation of that date, p. 438.

⁶⁵ Department of State, *United States Relations With China*, p. 478.

thereto a memorandum, a photostat of which you will find enclosed herewith. Upon receipt of this memorandum from the President, I wrote a letter to Dr. Soong, a copy of which I am also enclosing.

There is also enclosed a photostat of a letter which I received January 27, 1942, from Sir Frederick Phillips⁶⁶ stating the British position on the Chinese request.

I believe that with these enclosures you now have a complete file of my correspondence on the China loan proposal.

Sincerely,

H. MORGENTHAU, JR.

[Enclosure 1]

Memorandum by President Roosevelt to the Secretary of the Treasury (Morgenthau)

WASHINGTON, January 26, 1942.

Memorandum for H. M. Jr.

I still think that this can be worked out as soon as Fox gets here. If they don't want dollar notes, why don't we buy Chinese yuans and use them for paying for the equipment of Chinese troops in China itself. I would be wholly willing to go up to twenty or twenty-five million dollars a month on some such basis.

F[RANKLIN] D. R[OOSEVELT]

[Enclosure 2]

The Secretary of the Treasury (Morgenthau) to the Chinese Minister for Foreign Affairs (Soong)

[WASHINGTON,] January 27, 1942.

DEAR DR. SOONG: I have received your letter of January 21, 1942, sending to me a message from the Generalissimo.

I am glad to follow your suggestion that I wait until Mr. Fox arrives in Washington before renewing discussions with you. I want to assure you, in the meantime, that the Generalissimo's request is very much in my mind.

Sincerely yours,

H. MORGENTHAU, JR.

893.51/7460

The Secretary of the Treasury (Morgenthau) to the Secretary of State

WASHINGTON, January 29, 1942.

MY DEAR CORDELL: I am in complete accord with the view of the State Department as reported to my Department by Mr. Hornbeck

⁶⁶ *Ante*, p. 447.

that we should go forward with consideration of the Chinese loan without waiting for Mr. Fox to arrive here with the Generalissimo's message.⁶⁷

Your letter of January 10, 1942, and the State Department memorandum of January 23, 1942,⁶⁸ as well as the discussions which have been held between the officials of the two departments, inform me that the decisive considerations in the granting of financial assistance to China at this time are political and military. On this basis, I am prepared to go ahead at once, and at the conference which I have arranged with you for tomorrow, we can discuss the next steps to be taken.

I am submitting for your consideration, the following procedures for raising the funds to meet the Generalissimo's request:

- a. Congressional authorization to make a loan;
- b. An appropriation of funds under Lend-Lease. I believe this would require legislation;
- c. The Stabilization Fund;
- c [d.] The President's War Chest (Perhaps available for part of the necessary funds.)

Each of these sources has, of course, advantages and disadvantages which you may want to consider at our meeting.

As among these possible sources of funds the Stabilization Fund in this instance seems to me to be the least desirable, because of the special character of the proposed financial aid. Should it be decided to use the Stabilization Fund for this purpose, it will be necessary to obtain the approval of the Congressional Committees in the same manner as you and I obtained it in December, 1940, in connection with the \$50 million Chinese Stabilization arrangement.⁶⁹

You may wish to consider the desirability of the President and ourselves meeting promptly with the Congressional leaders to advise them of the problem and to discuss the alternative methods of financial assistance. With their clearance, it would be possible for the President to make an immediate announcement that he and the Congressional leaders are prepared, subject to the necessary Congressional action, to grant China the financial assistance requested by Chiang-Kai-shek. The details could be worked out later.

Sincerely,

HENRY MORGENTHAU, JR.

⁶⁷ For Generalissimo Chiang Kai-shek's letter to the Secretary of the Treasury dated January 14, see Department of State, *United States Relations With China*, p. 477.

⁶⁸ Letter not found in Department files.

⁶⁹ See *Foreign Relations*, 1940, vol. iv, pp. 636 ff.

893.51/73972

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton)*

[WASHINGTON,] January 29, 1942.

Subject: Question of Loan to China: Political Reasons Therefor

On December 30, 1941 General Chiang Kai-shek expressly asked that the Government of the United States extend to China promptly a large loan (principally for political purposes and principally as a mark of confidence in China). A few days ago General Chiang Kai-shek renewed this express request.

For four and one-half years Chiang Kai-shek has been the backbone and fountainhead of Chinese resistance in much the same way as George Washington was the backbone and fountainhead of this country's fight for independence. It would be a very serious matter to do anything which would shake Chiang Kai-shek's confidence in the United States or make his position in China more difficult than it is.

Following the entry of the United States into the war, the United States in the Declaration of United Nations⁷⁰ for the first time gave concrete manifestation of acceptance of China as a full-fledged partner. Such acceptance on the part of the United States is a matter which is very close to Chiang Kai-shek's heart. In the military situation in the western Pacific China and Chiang Kai-shek have been given certain recognition. It is doubtful, however, whether *in Chinese eyes* current military arrangements give China as important a place as many Chinese feel is her due.

China has, of course, been greatly disappointed at the severe reverses suffered by the Allied Forces in the western Pacific. Whether during the next few months further reverses will be suffered or whether the Japanese will be checked, only the future can tell. In either contingency the best assurance of continued unity in our relations with China is to regard China politically and psychologically as a full and equal partner in the war against our common enemies. Should further severe defeats to Allied Forces ensue and should China temporarily be virtually cut off through closure of the Burma Road from access to her friends, the likelihood of China's perseverance in her war effort would be substantially enhanced by the granting now of the loan requested by Chiang Kai-shek. Should the Japanese onrush be checked, the giving now to China of a "vote of confidence" would substantially contribute to causing China to push her war preparations against Japan with renewed energy.

⁷⁰ Dated January 1, 1942, Department of State *Bulletin*, January 3, 1942, p. 3.

We know that China's economic and financial condition is urgently in need of being strengthened. Chiang Kai-shek, however, seems, in asking for a large loan at this time, to have in mind primarily political aspects, including the question of China's morale.

What we can do for China at the present time is limited. We cannot get to China the military supplies and possibly the armed forces which we would like to send. In the field of financial aid, the Government of the United States has the ability to act promptly. Whether China could immediately use the proceeds of a large loan is not, it is believed, of outstanding importance. Any loan granted would, it is assumed, be regarded as a war loan and any portion of the loan not used in and directly connected with the war effort would presumably revert to the United States.

M[AXWELL] M. H[AMILTON]

898.51/73978

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] January 30, 1942.

PROPOSED LOAN TO CHINA

In reference to and in supplement to FE's ^{70a} memorandum of January 29,⁷¹ hereunder:

The principal considerations in favor of making this loan, in substantial amount, at this time are, it is believed: First, Chiang has in the political setup in China constantly to deal with certain opposition elements, some of which are favorable to Germany and some favorable to Japan or to the idea of making peace with Japan rather than persevering in difficult and expensive resistance (the loan will greatly strengthen Chiang); second, the making of this loan at this time when there is uncertainty regarding the immediate future of our own military situation in the military operations in the western Pacific theater would signify more of confidence on our part both in our own capacity and intention and in China's capacity and intention to see the fight carried through to victory than would postponement of the making of the loan until a moment when we may be on the eve of or freshly subjected to new and substantial reverses, at which time the making of this loan might be said to have the appearance of addressing an appeal for help to an ally to whom up to the moment when we found ourselves in difficulty we had been none too generous about giving help. The question of "timing" can be argued both ways, but

^{70a} Division of Far Eastern Affairs.

⁷¹ *Supra.*

it is believed that the balance of advantage lies in favor of doing the deed while Chiang's requests are fairly fresh rather than waiting and letting it appear that our decision arises essentially out of our own necessities.

S[TANLEY] K. H[ORNBECK]

893.51/7461

The Secretary of State to President Roosevelt

WASHINGTON, January 31, 1942.

DEAR MR. PRESIDENT: I refer to Generalissimo Chiang Kai-Shek's request for an immediate credit to China of \$500,000,000 to assist him in China's prosecution of the war.⁷²

China is now in her fifth year of war against aggression and has had to draw very heavily upon her own resources. Certain loans have been made to China through the Federal Loan Agency, mostly in connection with the purchase of strategic materials. These loans have been used to buy supplies in this country, but China now needs cash to be used within, or from within, its own borders, and I strongly recommend that you ask Congress to authorize loans, or credits, or both, to China up to \$500,000,000. The brilliant resistance to aggression which the Chinese have made and are making, and their contribution to the common cause, deserve the fullest support we can give.

Sincerely yours,

CORDELL HULL

893.51/7461

*President Roosevelt to the Vice President (Wallace)*⁷³

WASHINGTON, January 31, 1942.

MY DEAR MR. VICE PRESIDENT: Responsible officials both of this Government and of the Government of China, have brought to my attention the existence of urgent need for the immediate extension to China of economic and financial assistance, going beyond in amount and different in form from such aid as Congress has already authorized. I believe that such additional assistance would serve to strengthen China's position as regards both her internal economy and her capacity in general to function with great military effectiveness in our common effort.

⁷² See Minutes of a Meeting in the Office of the Secretary of State, January 30, 1942, Department of State, *United States Relations With China*, p. 478.

⁷³ Copy received from the Secretary of the Treasury. A similar letter was addressed by President Roosevelt to the Speaker of the House of Representatives (Rayburn).

I urge, therefore, the passage by Congress of appropriate legislation to this effect and attach hereto a suggested draft of a joint resolution ⁷⁴ which would accomplish this purpose.

Sincerely yours,

[FRANKLIN D. ROOSEVELT]

893.51/7454

The Secretary of the Treasury (Morgenthau) to the Secretary of State

WASHINGTON, February 2, 1942.

DEAR CORDELL: Yesterday, at five o'clock, Sir Frederick Phillips of the British Treasury, called on me and gave me a memorandum, a copy of which you will find enclosed herewith.

Yours sincerely,

H. MORGENTHAU, JR.

[Enclosure]

MEMORANDUM

In view of further representations from His Majesty's Ambassador in Chungking, His Majesty's Government feel that it is essential to send an immediate reply to the Generalissimo. It is understood that the question of assistance to China is under the President's consideration.

His Majesty's Government now suggest that in addition to their supplying munitions on a lend-lease basis a joint offer should be made of a combined loan of \$400 millions, of which, in view of the disparity of financial resources, the British share would be \$120 millions or £30 millions. The latter sum would be made available immediately but there would be an unpublished understanding that it would be drawn upon only as required for expenditure in the sterling area directly required for the war; each item of expenditure being agreed upon between the two governments with the condition that any amount that had not been drawn upon at the conclusion of hostilities would be repaid. The United States part of the credit would no doubt be made subject to similar conditions.

His Majesty's Government ask whether the President would agree that we should at once inform the Generalissimo that we have made this proposal to the United States Government.⁷⁵

⁷⁴ Not printed; for text of Public Law 442, approved February 7, see 56 Stat. 82.

⁷⁵ In a memorandum dated February 4, 1942, the Chief of the Division of Far Eastern Affairs (Hamilton) stated: "I talked with Mr. White of the Treasury Department over the telephone in regard to the enclosure to the attached letter and raised the question whether any action was called for by the last paragraph of the enclosure. After discussion, there was agreement between Mr. White and myself that this matter had been disposed of by the decisions reached by the American and the British Governments, respectively, and by the announcements of decisions made by each Government. Mr. White said that, when a decision had been reached here to seek Congressional authorization, the Treasury had informed the British of that decision." For British announcement, see *infra*.

893.51/7400

The First Secretary of the British Embassy (Hayter) to the Chief of the Division of Far Eastern Affairs (Hamilton)

WASHINGTON, February 3, 1942.

DEAR MR. HAMILTON: It may be useful to you to have the text of the announcement made in London yesterday in regard to the British loan to China.

After a preamble declaring our desire for the closest cooperation with China, the announcement continues:

"His Majesty's Government are willing to make available to China under a Lend-Lease arrangement all the munitions and military equipment which it is possible for them to supply.

In addition His Majesty's Government are informing the Chinese Government of their willingness to lend to China for war purposes an amount up to £50 millions at such time and upon such terms as may be agreed between the two governments."

The United States Treasury have already been informed of the text of this announcement.⁷⁶

Yours sincerely,

W. G. HAYTER

893.24/1283 : Telegram

*President Roosevelt to Generalissimo Chiang Kai-shek*⁷⁷

WASHINGTON, February 6, 1942.

It is a source of great gratification to me and to the Government and people of the United States that the proposal which I made to the Congress that there be authorized for the purpose of rendering financial aid to China in the sum of \$500,000,000 was passed unanimously by both the Senate and the House of Representatives and has now become law.⁷⁸

The unusual speed and unanimity with which this measure was acted upon by the Congress and the enthusiastic support which it received throughout the United States testify to the wholehearted respect and admiration which the Government and people of this country have for China. They testify also to our earnest desire and determination to be concretely helpful to our partners in the great battle for freedom. The gallant resistance of the Chinese armies

⁷⁶ In consultation with the Chief of the Division of Monetary Research, Treasury Department (White), Mr. Hamilton in a letter of February 4 stated to Mr. Hayter that "It is assumed that the Embassy is informed through its contacts at the Treasury Department of recent steps taken by this Government in the matter of extending financial aid to China."

⁷⁷ Notation on original: "OK—Code Room—Send at once—FDR".

⁷⁸ Approved February 7; 56 Stat. 82.

against the ruthless invaders of your country has called forth the highest praise from the American and all other freedom-loving peoples. The tenacity of the Chinese people, both armed and unarmed, in the face of tremendous odds in carrying on for almost five years a resolute defense against an enemy far superior in equipment is an inspiration to the fighting men and all the peoples of the other United Nations. The great sacrifices of the Chinese people in destroying the fruits of their toil so that they could not be used by the predatory armies of Japan exemplify in high degree the spirit of sacrifice which is necessary on the part of all to gain the victory toward which we are confidently striving. It is my hope and belief that use which will be made of the funds now authorized by the Congress of the United States will contribute substantially toward facilitating the efforts of the Chinese Government and people to meet the economic and financial burdens which have been thrust upon them by an armed invasion and toward solution of problems of production and procurement which are essential for the success of their armed resistance to what are now our common enemies.

I send you my personal greetings and best wishes. I extend to you across land and sea the hand of comradeship for the common good, the common goal, the common victory that shall be ours.

FRANKLIN D. ROOSEVELT

893.51/7372 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, February 6, 1942—7 p. m.

73. In the *New York Herald Tribune* of February 6 there is an article under Washington date line in regard to the passage by the Senate of the bill authorizing the extension of financial aid to China. In this article there is the statement that Mr. Long⁷⁹ expressed to members of the Senate Foreign Relations Committee the view that some influential people in China were attempting to influence Chiang Kai-shek to make a separate peace; that Chiang Kai-shek was standing firm; but that some of those around him were wavering.

The Department doubts whether you should take any initiative in the matter. In case the report mentioned above should be forwarded to Chungking and in case the matter is brought to your attention you are authorized to say that these misleading statements under reference are regretted; that the hearing of the Foreign Relations Committee was in executive session; that Mr. Long, after making a general statement in hearty support and explanation of the bill, was asked some

⁷⁹ Breckinridge Long, Assistant Secretary of State.

specific questions; that Mr. Long, in reply to one of these questions, made some general statements along the lines of General Chiang's remarks to you as reported in the first section of your telegram no. 548, December 30, 6 p. m.;⁸⁰ that the attitude of the appropriate Committees of the Congress and of the Congress itself, as demonstrated in their votes and in the unusual speed with which action was taken, was unanimously and whole-heartedly in favor of extending financial aid to China; and that the attitude of the American public is one of very enthusiastic support of the Congressional action.

HULL

893.51/7495

Memorandum by the Adviser on Political Relations (Hornbeck) to the Chief of the Division of Far Eastern Affairs (Hamilton)

[WASHINGTON,] February 9, 1942.

MR. HAMILTON: It occurs to me that it might be good strategy and of advantage all around were this Department to formulate immediately some proposal for the making available to China as promptly as possible some part or parts of the \$500,000,000 that became available for financial aid to China last week.

Would you be so good as to take general charge of this question, consulting and collaborating with personnel of other offices who are or should be concerned.

S[TANLEY] K. H[ORNBECK]

893.51/7453

Memorandum by the Chief of the Financial Division (Livesey) to the Chief of the Division of Far Eastern Affairs (Hamilton)

[WASHINGTON,] February 10, 1942.

MR. HAMILTON: On seeing a copy of Mr. Hornbeck's memorandum of February 9 to you suggesting immediate activity with relation to making available to China part of the \$500,000,000 loan, Mr. Berle telephoned me to tell you that FD will be glad to participate in the consideration of the matter as soon as you are ready.⁸¹

F. LIVESEY

⁸⁰ *Foreign Relations*, 1941, vol. v, p. 768.

⁸¹ At this time a number of proposals as to the best means by which to aid the Chinese with the \$500,000,000 credit circulated anonymously, by suggestion, within the Department (893.51/7671½). The Financial Division came to act as a kind of clearing-house for them; see document prepared in the Department of State, February 12, p. 461.

893.51/7518

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] February 10, 1942.

FINANCIAL AID TO CHINA

Practically all who have been connected with the matter are agreed that the primary motivation and objective of the appropriation of \$500,000,000 for use in giving financial aid to China has been political, that the use of this money is to be for promotion of the Chinese war effort as a part of the United Nations war effort, and that in making this money available to the Chinese Government we should not attempt unduly to put transactions which may be entered into on a banking or orthodox commercial basis.

The legislation involved has specified that transactions shall be handled by the Secretary of the Treasury with the approval of the President. It has been understood, however, throughout, that, because of the political aspects of the matter, this Department has an appropriate and substantial concern with regard to all phases of the matter.

The money is now available.

It is believed that political advantage would be gained were the American Government now to take the initiative in approaching the Chinese with a proposal or proposals looking toward immediately making available to the Chinese Government of some portion of the money.

There is ample warrant for assuming that Chiang Kai-shek could use some of this money to advantage toward immediate remedying of certain weak spots in his political, military and economic fences: that he could to advantage use some of this money for purposes which he would not wish to divulge and which it would be better that he be not asked to explain.

Is there any good reason why this Government should not proceed at once to arrange for a conference which might be participated in by representatives of the Treasury, of this Department and of the Chinese Embassy and/or T. V. Soong's purchasing agency (Mr. Fox, who has just returned from China, and Mr. Currie might perhaps also be included)—for the purpose of considering an arrangement for an early allotment of a part of the funds?

Is there any good reason why there might not be advanced on the part of this Government a proposal for a straight loan to the Chinese Government of \$100,000,000, a loan on the basis of a simple agreement whereby China would undertake to pay interest and pay out the principal on the basis of an amortization schedule?

Is there any good reason why this Department should not forthwith take an initiative in suggesting to the Treasury that a procedure along the lines above indicated be forthwith embarked upon?

Copies of this memorandum are being sent to FE, EA, FD, A-B and U.⁸²

S[TANLEY] K. H[ORNBECK]

893.51/7459

Memorandum by the Adviser on International Economic Affairs (Feis) to the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] February 11, 1942.

MR. HORNBECK: I wholly agree.⁸³ I think the meeting should be held at once.

I believe the Chinese Government should be asked how much of the \$500,000,000 they wanted now, and for what purposes, and that unless there is serious objection to their ideas they should be made at once, and I believe also that the fund should be advanced *without interest* and that if repayment is provided it should not begin until a distant date.

The *only safeguard* for these funds that should be sought is that they are genuinely applied to advance the war effort; no attempt should be made to safeguard them from the financial point of view.⁸⁴

H[ERBERT] F[EIS]

893.51/7416a : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, February 12, 1942.

92. Please deliver the following personal message from the President to His Excellency Generalissimo Chiang Kai-shek:

"I have this moment signed the bill appropriating five hundred million dollars to render financial aid to China⁸⁵ and it is now law. Franklin D. Roosevelt."

HULL

⁸² Division of Far Eastern Affairs, Office of the Adviser on International Economic Affairs (Feis), the Financial Division, the Assistant Secretary of State (Berle), and the Under Secretary of State (Welles), respectively.

⁸³ Reference is to Mr. Hornbeck's memorandum of February 10, *supra*.

⁸⁴ Notation by the Assistant Secretary of State (Berle): "Concur. A. A. B."

⁸⁵ 56 Stat. 89.

893.51/7423

*Document Prepared in the Department of State*⁸⁰

[WASHINGTON,] February 12, 1942.

The problem is to find some way of using in whole or in part the \$500,000,000 credit authorized for China to bolster up the Chinese monetary and fiscal system in spite of the disruption of commercial and financial intercourse which normally functions as the channel through which such international assistance is made effective. Whatever psychological benefit can be derived from the credit has probably already largely been realized. Broadly speaking the tangible benefits which may be realized from the foreign purchasing power made available to the Government of China would appear to derive from its use for the purchase of imports or its sale to residents of China in exchange for domestic purchasing power. China, for the foreseeable future, cannot effectively use for imports the foreign exchange resources already available to it. The only effective way of using its dollars immediately would appear to be by their sale to residents of China or as a guaranty for the repayment in dollars of the principal of an internal Chinese loan.

The first would have the advantage of promptly supplying the Chinese Government with local funds from a source other than the printing press. Such a plan might be effected by having the Stabilization Board of China through designated banks undertake sales of dollars in the open market. It might also to some extent increase the exchange value of the yuan vis-à-vis the dollar and might at least to a limited extent operate as a psychological factor against further increase in the price level. On the other hand it would in effect simply permit a flight of private capital from China—capital which no doubt has in large part been accumulated from the easy speculative profits which inhere in a highly inflationary situation. The possibilities of graft and the abuse of such a system need hardly be elaborated nor the obvious fact that if the dollars were sold merely against additional issues of yuan the net result will merely have been a complete waste of the resources made available to China to the profit of the fortunate few who were handed good American dollars as practically a free gift.

The second suggestion, the use of dollars to guaranty the Chinese internal issue may be somewhat less subject to abuse but would I believe be materially slower and technically more difficult. A plan of this type might be put into effect by placing a part of the dollars available from the credit in a special trust fund to be used for meeting

⁸⁰ Forwarded on February 12 to the Chief of the Division of Far Eastern Affairs (Hamilton) by the Chief of the Financial Division (Livesey) with the notation, "Several copies of the attached anonymous document of unacknowledged paternity have appeared in FD and are available on request".

the principal of Chinese internal bonds at maturity. Such a fund might in the interim be invested in interest bearing United States Government securities. Interest on the obligations might be payable in yuan of a fixed amount or might be a variable amount of yuan determined by the official rate between the dollar and the yuan. Although I do not know how it would appeal to the Oriental mind consideration might be given to the issuance of a Chinese security comparable to United States Defense Bonds; that is a security which would not bear coupon interest but which would sell at a discount from the stated amount in dollars due so many years in the future.

Both of the foregoing have the objection that Chinese nationals will come out of the war with several hundred millions of dollars of putative claims against American goods, services or investments and these largely in the hands of persons who are very probably on the whole rather indifferent to the economic welfare of China. In as much, however, as it is doubtless this class of Chinese who already possess the largest amount of yuan, any plan involving the acquisition of yuan from the public at large can hardly avoid this dilemma.

A fuller discussion of the foregoing matters is continued in the attached excerpt from a memorandum on the general problem of financial assistance to China which was prepared on December 31, 1941.⁸⁷

[Annex]

[WASHINGTON,] December 31, 1941.

III. POSSIBLE MECHANISM OF ASSISTANCE BY THE UNITED STATES

The most practicable methods of assisting China to cope with its internal financial difficulties appear to be (a) some sort of guaranty of a Chinese internal loan which might permit the Chinese to acquire currency from the public rather than by adding to that already in circulation or (b) the sale of dollars by the Stabilization Board of China against yuan which could be loaned to the National Government to finance its expenditures. The first expedient has been suggested by both Arthur Young and Sir Otto Niemeier. Sir Otto mentioned the matter to Mr. Cochran when the latter was in Chungking. Sir Otto suggested the possibility of the Chinese Government issuing an internal gold loan for a period of approximately fifteen years secured *pro forma* on customs revenue after existing loans; repayment to start five years hence and principal but not interest to be guaranteed as to one *tranche* by the British Government and as to the other by the United States Government; the amount not to exceed

⁸⁷ Extract *infra*; original memorandum missing from Department files.

\$40,000,000 for each *tranche*. Sir Otto put this forward tentatively with the remark that he might wish to submit the latter to his Government for consideration. Telegram 516 from Chungking⁸⁸ indicates that he has already done so and Sir Frederick Phillips of the British Treasury who is here in Washington has heard of it and has mentioned it to Mr. Cochran. Apparently the scheme has not been formulated in detail though perhaps this matter should be checked at once with Phillips.

Mr. Young considered an expedient of this character at some length in a memorandum which he submitted to Mr. Cochran. In his memorandum Mr. Young contended that the issuance of foreign currency debt for general subscription seemed out of the question since payment on prewar foreign currency bonds was suspended early in 1939. Free issuance of such bonds he believes would be contrary to sound credit policy. He also argued that because of American freezing regulations the public would be hesitant about buying foreign currency obligations and that the issuance of such bonds might tend further to hurt confidence in Chinese currency. For these reasons Mr. Young considered more feasible some form of obligation repayable in Chinese currency at a guaranteed rate of exchange. Thus, a bond for one thousand yuan might be payable in Chinese currency at maturity on the basis of exchange for United States fifty dollars with interest payments based on the respective rates current when interest is payable. Mr. Young recognized that in a situation such as that occupied by China at present the official exchange rates were likely to be much out of line with the internal purchasing power of Chinese currency. He thought that to some degree this situation could be safeguarded as to repayment of principal by providing that it should be paid at a free market rate or if paid at official rates these should bear a premium of a fixed percentage—say 20 per cent. A similar provision might apply to interest payments with payment at a free market rate if any exists or if not payment to be at some premium over the official rates. Mr. Young pointed out that in the past the Chinese internal obligations had sold at a yield of 12 to 13 per cent. He suggested that the bonds guaranteed by the American and British Governments might be 6 per cent bonds which he thinks could be issued at par.

It may be that some such expedient as this must be used and that the matter should be explored with Treasury and with the British. I understand, however, that the Treasury has traditionally been opposed to guarantying the issues of a foreign government. It is quite possible that the Treasury might be somewhat embarrassed by having bonds which it guaranteed carry such a high rate of interest as compared to domestic issues. On the other hand, it is possible that

⁸⁸ Dated December 21, 1941, 10 a. m., *Foreign Relations*, 1941, vol. v, p. 766.

Chinese in Free China would buy bonds at a lower rate of interest if the interest were payable either in United States dollars or yuan at some premium above the official rate. Although the dollars would be blocked over here they would give a reasonable assurance of stability in value and the Chinese Government might assure purchasers of the bonds that their dollar funds could be held here indefinitely in the form of bank deposits or United States investments.

In view of the difficulties which may be encountered in attempting to work out a guaranteed loan, it is possible that primary consideration should be given to the second alternative mentioned above, namely the purchase of yuan by the Stabilization Board of China. In view of present difficulties of shipping goods to China which will probably become worse before they become any better the earlier functions of the Board from the foreign exchange point of view will doubtless be for some time to come comparatively unimportant. Under these circumstances the Board might well divert a large part of its attention to internal problems and be used as an agency for supplying the Chinese Government with yuan which it has purchased with dollars. A loan of this character could doubtless be made from the Treasury Stabilization Fund without the additional legislation that might be required in an operation such as the guaranty of an internal loan issued by a foreign government.

Since few of the dollars sold could be used to purchase imports into China it is probable that an expedient of this character would in essence amount to countering the inflationary trend in China by facilitating a flight of capital from that country. The success of the operation would appear to depend in part upon the demand in China for dollars which would be blocked under our freezing control. It is possible, of course, that many Chinese might prefer to hold blocked dollars rather than hoard commodities in China particularly if the Chinese Government should concurrently undertake vigorous action against the hoarding of commodities and speculation in commodities. At the same time some consideration might be given to the advisability of allowing some fluctuation in the yuan-dollar rate and some trading in dollars in an open market in Free China. This might divert some of the speculative activity from commodities to dollars. I should think it would be possible to limit any privileges of this character to persons in Free China possibly by confining them to operations effected through certain appointed banks.

It may be noted that Dr. Kung suggested to Mr. Cochran that the United States Treasury set up in the United States a new and separate fund in dollars to constitute a reserve backing for the Chinese currency. Apparently the British Government would be asked to set up a similar fund. Dr. Kung had not thought his plan out in detail

but appeared anxious that we let the world know and permit him to strengthen Chinese confidence in the yuan through the knowledge of the existence of such a fund. Kung apparently did not think it would be necessary to utilize such sums but thought that the psychological effect would be sufficient. It was not his idea that such funds should be turned over to the Stabilization Board and used in the manner in which the Board was at that time operating.

I am inclined to doubt that any mere psychological gesture of this character would be effective. However, if Treasury should be reluctant to the loan with the yuan purchase plan it might be possible to combine the two by first trying Kung's idea and by later gradually beginning the purchase of yuan if the psychological effect appears inadequate. The objection to such a compromise is that it would do little to put the Chinese Government in immediate funds without further resort to the printing press.

It should also be noted that the Department has just been informed (telegram No. 548 from Chungking, December 30⁸⁹) that Chiang has asked for a loan of one billion dollars from this country and Great Britain. Apparently there is an intent of using this in part in some unspecified way in connection with an internal bond issue.

As pointed out above neither of the expedients suggested will be of much assistance unless the National Government and note issuing banks follow policies which do not negative the effect of United States assistance. Both of these plans, of course, are also subject to the objection that they may induce an influx of yuan from Hong Kong, Shanghai and other areas of occupied China into Free China. Such an influx can doubtless be engineered at any time by the Japanese but so long as the price level in the interior is well above that on the coast the influx will be not so easily effected as if there were also a purely financial inducement operating. The Japanese may, of course, demonetize the yuan in occupied China at any time it suits their purposes. In the circumstances it would appear desirable that China give immediate consideration to the possibility of itself demonetizing national currency in circulation in occupied China. There are, of course, considerable difficulties in effecting such a plan. Presumably outstanding notes in occupied China would have to be validated by some sort of a stamp which could not be readily copied or counterfeited. Alternatively the old currency would have to be exchanged for a new issue. In view of Sir Otto's suggestion that the National Government assume immediate control over all bank notes and bank note paper in China, replacement of old notes by a new issue might not be feasible. There is also the further difficulty that demonetization of the yuan currency

⁸⁹ *Foreign Relations*, 1941, vol. v, p. 768.

in occupied China might cause serious losses both to the native population and to foreign institutions and banks. Since the Chinese Government has long resisted to the best of its ability the supplanting of the national currency by currency issued by the invader and his puppets such a move might be politically difficult to make. I believe, however, that there are supposed to be some eight billions of yuan in the Shanghai area. If this money should pour into Free China the inflationary process would of course be greatly accelerated and this danger may well outweigh other considerations.

893.51/7410

The Under Secretary of State (Welles) to the Secretary of the Treasury (Morgenthau)

WASHINGTON, February 14, 1942.

MY DEAR MR. SECRETARY: I believe that all of us who have been especially interested in meeting Chiang Kai-shek's request that this Government extend substantial financial aid to China are warranted in feeling gratified at the unanimity and the speed with which the Congress has made legislative provision for extending financial aid to China in amount not to exceed \$500,000,000. The psychological effect produced, both in this country and in China and elsewhere, by this Government's action has been, I am confident, highly beneficial to the common war effort of the United Nations.

It has occurred to me that further political advantage would be gained were this Government to take prompt steps looking toward the formulating of a proposal or proposals whereby there would be made immediately available to the Chinese Government some substantial portion of this money.

If this suggestion should appeal to you in principle, might I suggest that there be held at the earliest practicable date a conference of representatives of the interested agencies of this Government for the purpose of working out what may seem to be the most feasible and appropriate plan?

I am bringing the foregoing suggestions to your attention in view of this Department's continuing interest, which I am sure you appreciate and share, in the political aspects of this matter.

Sincerely yours,

SUMNER WELLES

893.51/7407: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, February 14, 1942—9 p. m.

[Received February 14—8:50 p. m.]

123. Editorial reaction to [recent?] credits has been more appreciative than enthusiastic. One leading paper advises that China should demonstrate that she merits the credits by the use she makes of them in strengthening her position and effectiveness as a partner in the United [Nations] front, adding that if the loans are used to expand the national budget or as reserves for issuing notes, then not only will there be no benefit but there will be harm. Another paper cannot forego the comment that the granting of such credits 4 years ago would have prevented the present serious situation in the Far East. There is general agreement that control of inflation with a view to reducing commodity prices should be the primary objective. Uniformity is lacking with regard to the precise means of accomplishing this end but the absorption of idle capital through internal loans secured on the credits is generally favored. Effective measures for price stabilization are demanded and an acceleration of production of essential commodities is advocated. Retrenchment to the point of deflation is urged by one paper but others warn against such a policy, suggesting that the idle capital absorbed should be used to encourage production.

Numerous proposals are being made in official and unofficial circles for the use of the loans, including the following: (1) import of actual United States currency for circulation in Free China; (2) unfreezing and direct free sale of foreign exchange; (3) sale of American Government bonds in China; (4) use for reconstruction projects as well as to encourage domestic production; (5) use as currency reserve. These are additional to the proposed sale of government bonds secured on foreign currency credits in order to recapture substantial sums of Chinese currency for government use.

Our information also indicates that China is going forward with proposals for state monopolies of salt, tobacco, matches and sugar.⁹⁰

There is as yet no evidence here that a definite plan for the utilization of the American loan has been formulated.

GAUSS

⁹⁰ For correspondence on this subject, see pp. 495 ff.

893.51/7455

The Chinese Minister for Foreign Affairs (Soong) to the Secretary of State

[WASHINGTON,] February 16, 1942.

MY DEAR MR. SECRETARY: I take pleasure in enclosing a translation of a telegram to the President from Generalissimo Chiang Kai-shek under date of February 15, 1942, and shall be grateful if you will be so good as to transmit it to its high destination.

I remain [etc.]

TSE VUN SOONG

[Enclosure]

TRANSLATION OF A TELEGRAM FROM THE GENERALISSIMO FOR PRESIDENT ROOSEVELT, DATED FEBRUARY 15, 1942 ⁹¹

Soon after my arrival in Delhi I received your most welcome message informing me of the granting to China of the loan of \$500,000,000. I am most grateful to you for having accepted my suggestions in their entirety and without any attached conditions. On behalf of the Chinese Army and the Chinese People I wish to convey to you, and through you to the Congress of the United States as well as the American People, our deep gratitude for this timely assistance.

For four and a half years my people have suffered untold privations and distress. This loan, which you have now secured for China, will not only ameliorate the economic situation but will also raise the morale of the people in the present struggle. The loans and supplies, which we previously received from you, have enabled China to continue our war of resistance up till now. Your new gesture in granting us this timely assistance gives inspiration and encouragement to all who are fighting for freedom during the unprecedented crisis with which the world is faced.

Besides the meeting of military needs, the proceeds of the loan will be used mainly for strengthening China's economic structure, redemption of legal tender notes, control of currency, stabilization of prices and the promotion of war production.

I wish to reciprocate most heartily your greetings and good wishes.

⁹¹ Forwarded on February 17 to President Roosevelt by the Secretary of State.

893.51/7413 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, February 18, 1942—3 p. m.
[Received February 18—10:41 a. m.]

132. Embassy's No. 123, February 14, 9 p. m. Several days ago the Ministry of Finance convened an informal meeting of Chinese finance and banking experts to discuss flotation of an internal bond issue secured from the American and British credits. Niemeyer, Young and Adler⁹² were also present. The discussion centered around four main points:

1. The conversion rate between *fapi* and the dollar to be adopted in issuing bonds. Rates between five and six cents to the *fapi* were suggested, the latter being favored on the grounds that the higher rate would prove attractive and permit issuance at par. There was inconclusive discussion with regard to whether the bonds should bear on their face the dollar, as well as the *fapi* redemption value.

2. The rate of interest. Five and six per cent were mentioned, with the latter receiving principal support.

3. The amount of the first issue. A figure as high as 5,000,000,000 *fapi* was suggested, but two and one-half million was favored, the idea being to follow a limited first issue immediately with a second issue, if the first issue was readily subscribed.

4. The term of the bonds. The general feeling was that they should be short term—5 to 10 years. While no decisions were taken at the meeting, it is understood that the foregoing indicates along broad lines the general thought of the Ministry of Finance with regard to a bond issue. Suggestions with regard to lifting exchange restrictions, importing United States currency, and issuing new currency with dollar support met with no encouragement from Kung or from others present. There was no discussion at the meeting of possible other uses which might be made of the credits.

The degree of response which a dollar supported bond issue will meet continue to be largely a matter of conjecture. There was talk at the meeting of using various forms of compulsion if the response was inadequate. Unless very carefully handled it is believed that the adoption of such measures would prove to be unwise although the bonds might be used to induce hoarders to disgorge their commodity holdings. In implementing its avowed policy of agrarian reform, the Government might advantageously use bonds to finance more equitable land [distribution?] without increasing currency in circulation. The bonds might also be utilized to encourage the responsible banks

⁹² Solomon Adler, Treasury Department representative and acting alternate American member of the Chinese Stabilization Board.

to be more generous and more effective in their financing of production for immediate use and in making loans to farmers for small scale land reclamation and improvement work.

GAUSS

893.51/7463

*The Secretary of the Treasury (Morgenthau) to the Under Secretary of State (Welles)*⁹³

WASHINGTON, February 19, 1942.

MY DEAR MR. WELLES: Reference is made to your letters of February 14, 1942, regarding financial aid to China, and of February 17, 1942, enclosing a copy of a letter of February 16 from the Chinese Minister of Foreign Affairs together with a copy of the translation of the telegram of February 15 from General Chiang Kai-shek to the President.⁹⁴

We have been giving the problem of effecting the loan careful consideration here and we are now preparing a definite plan. I hope to be able to call a meeting on the matter early next week.

Sincerely yours,

H. MORGENTHAU, JR.

893.51/7425

Memorandum of Conversation, by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] February 19, 1942.

CHINA LOAN. MEETING AT THE TREASURY

Present for the Treasury: The Under Secretary, Mr. Daniel W. Bell; Dr. Jacob Viner; Mr. Harry D. White, Director of Monetary Research; Mr. Edward H. Foley, Jr., General Counsel; Mr. Bernard Bernstein, Assistant General Counsel and other Treasury officials.

Mr. Lauchlin Currie, Special Assistant to the President.

Mr. A. Manuel Fox, American Member of the Chinese Stabilization Board.

Dr. T. V. Soong, Foreign Minister of China, was present for only a few moments at the outset.

Messrs. Hornbeck, Hamilton, Livesey, and Hiss.⁹⁵

⁹³ See also Mr. Morgenthau's letter of February 16 to Generalissimo Chiang, Department of State, *United States Relations With China*, p. 479.

⁹⁴ Letter of February 17 not printed; for its enclosures, see p. 468.

⁹⁵ Alger Hiss, Assistant to Mr. Hornbeck.

Mr. Bell opened the meeting by stating to Dr. T. V. Soong that "we" had been considering the question of a loan for an hour⁹⁶ and "we" wondered whether the best procedure would not be to follow the example of and act in the spirit of the Lease-Lend arrangements. Dr. Soong said that he thought that would be best. Mr. Bell then asked Dr. Soong if he (Dr. Soong) had come to any specific conclusions as to what might be put in the agreement. Dr. Soong stated that he had not and indicated that he would like to receive a draft of the proposals of the United States Government. Mr. Bell then suggested that in the next few days Dr. Soong might wish to be thinking over the matter of appropriate terms for the agreement and Dr. Soong said that he would do so. Mr. Bell thereupon indicated that the meeting was concluded. Everybody rose. Mr. Bell indicated to the officers from the Department of State that he wished we would remain behind. Dr. Soong moved to leave the room and shook hands with several persons nearest him and made his exit, escorted to the door by Mr. Hornbeck only.

2. Mr. Bell inquired whether the Department of State had any views regarding the manner in which the loan funds might be made available to China. He turned to Mr. Hornbeck.

Mr. Hornbeck said that he had a suggestion, which he would put forward purely as something to be discussed, a suggestion which would be unofficial and personal, a suggestion which he had not yet discussed in detail even with his own associates. He said that he felt that an immediate objective should be to make available to China promptly and "without strings" some part of the total sum. He would suggest for consideration: make a straight loan of from \$50,000,000 to \$100,000,000, at a low or no rate of interest, amortization to begin at some date after the war is ended and to extend over a long period; arrange for allocation of from \$200,000,000 to \$250,000,000 for broad purposes by agreement; and leave the remainder for future consideration and disposal as the situation unfolds and needs become apparent.

The Treasury officials, who had already discussed the matter at some length among themselves, said that in their opinion it was politically important to be able to say that the entire fund had been made immediately available to China. They explained that they had in mind the drafting of a very general loan agreement which would simply provide that the funds are available to China and set forth the general purposes—i.e., the furthering of the war effort—for which the loan is being granted. In addition a memorandum might be handed to Dr. Soong containing certain technical provisions as to interest (if any), methods for setting up the bookkeeping arrangements involved, methods for drawing on the fund by placing amounts in the Federal

⁹⁶ Department representatives not included.

Reserve Bank, et cetera. The Treasury representatives and Mr. Currie also stated that their opinion was that there should be no attempt at this time to provide for the method of repayment or adjustment of the loan.

The representatives of the State Department expressed general agreement with the Treasury approach particularly with reference to assuring China that funds urgently needed could be obtained immediately and with reference to the wisdom of not attempting at this time to settle the terms of repayment or adjustment.

There then ensued some discussion as to what if any procedures might be effective toward the end of ensuring that the loan funds are in fact expended by China in such a way as to ensure maximum benefit to the war effort. The discussion on this point was rather inconclusive. There was, however, general agreement that it would be impossible to provide any detailed assurances as to projects for which the funds would be expended. Various of those present expressed views as to why it seemed likely that China would wish to obtain American advice on this expenditure. It was suggested that China will continue to need and to hope for further American assistance and so would naturally wish to satisfy the United States Government that these funds have been wisely used. It was also suggested that in connection with the proposed loan agreement Dr. Soong might address a letter to the Secretary of the Treasury in which the Chinese Government would express a desire for the collaboration and assistance of technical experts of the American Government in working out plans for the use of the funds; this suggestion was neither generally approved nor disapproved. It was also suggested that the policy of not specifying the terms of repayment or adjustment would also be likely to lead China to satisfy the United States that the funds had not been wasted in order to ensure liberal terms of repayment or adjustment. However, there was no detailed or consistent analysis of procedures which would be relied upon to bring about wise expenditure by China.

The Treasury officials had already informed Dr. Soong that they hoped to have a draft proposal⁹⁷ for his consideration by Saturday morning (February 21) or by Monday. Dr. Soong had said that he hoped the draft could be ready by Saturday as he planned to go to Canada on Wednesday (February 25). At the conclusion of the meeting the Treasury officials suggested that we meet with them again at three o'clock on the following day (Friday, February 20) at which time they hope to have some written proposals for consideration.

⁹⁷ For Initial Draft of United States-China Financial Aid Agreement, handed to Mr. Soong by the Treasury Department on February 21, see Department of State, *United States Relations With China*, p. 479.

893.51/7397‡

*Document Prepared in the Department of State*⁹⁸

[WASHINGTON,] February 28, 1942.

NOTES ON THE LOAN TO CHINA

It has been wise and entirely appropriate for the United States to make the full amount of the current loan to China available "without strings". Nonetheless, the United States has a very significant interest in the uses to which this large loan is actually put.

In the first place, the whole concept of the relationships between the United Nations is one of common effort toward a common goal. Joint resources, military, economic and financial, are to be employed in such a way as to obtain maximum benefit for the war effort. There is no question but that in the use of any American military forces that may be sent to China we will not hesitate to express our views as to the purposes for which such forces should be used, whether the Allied commander under whom they serve be American, or Chinese or some other national. Indeed, it is to be assumed that we will not hesitate to make *suggestions* to the Chinese and to our other Allies as to how we consider they might best employ their own military forces. Consequently, it seems entirely appropriate that the United States Government make *suggestions* to the Chinese Government as to what uses of the loan funds would in the opinion of the Government of the United States be most beneficial to all concerned.

There is another persuasive reason for the United States to use its best efforts and to endeavor to see that the loan funds are expended for useful purposes. It cannot be too often recalled that the attitude of the American people has as yet by no means become permanently one of willingness to assume responsibilities abroad—one might say that this is especially true with respect to the Far East. There is every reason to assume that at some time in the not too distant future there will be a considerable reaction in American public sentiment from the present position of enthusiastic desire to cooperate with China. We have in the past few days had evidence, in connection with our relations with Great Britain, that even under present conditions there are important elements of public opinion which are reluctant to see the United States undertake necessary cooperation with other countries. [See in this connection the attached copy of a press report of February 26⁹⁹ indicating the critical attitude which members of the Senate Foreign Relations Committee have taken

⁹⁸ Apparently by the Adviser on Political Relations (Hornbeck).

⁹⁹ Not printed.

toward the recent Lease-Lend Agreement with Great Britain,¹ an agreement which was in fact used as a model in the draft of the agreement relating to the loan to China.]² At the same time there is also every reason to believe that the present loan, large though it is, does not represent the last financial assistance which in our own interest, in China's interest and indeed in the interest of the Far East as a whole, it will be wise for the United States to extend to China.

Consequently, it is believed that the current war efforts of the United Nations and the interest of the United States and of China in particular, both from an immediate and a long-range point of view, call for such efforts as may be practical and appropriate on the part of the United States to see that the funds made available to China are so expended that they will obviate so far as possible criticism of the loan and of our policy of giving full aid to China.

In this connection mention may be made of still another consideration. The loan to China is believed to be without exact precedent in our history. For the first time a substantial political loan has been made by the United States without security, without interest, and without retention of control by the United States of expenditure thereof. It is not unlikely that other countries, particularly Latin American countries, may, relying upon this precedent, ask for similar loans. It would seem to be important that arrangements be worked out in connection with the China loan which will give some measure of assurance that in the expenditure thereof the United States will be consulted and provision be made for careful and objective consideration of the objectives for which the funds are expended.

For the foregoing reasons it is recommended that consideration be promptly given to (1) establishing a procedure under which frank and friendly discussion between the United States and China can be assured with respect to the uses to which the loan will be put, and (2) the drawing up of a list of those projects which the United States would be prepared to recommend or suggest to China as desirable objectives in expending the funds made available.

Consideration should be given to the question of whether the most desirable and most practical procedure under the circumstances would be the creation by China of some type of "board of review" or "planning committee" composed of Chinese and American members (for example, the present Chinese and American members of the Stabilization Board might constitute such an agency). Perhaps it will be found that the only feasible procedure would be frequent conferences and consultation between Chinese and American representatives. This

¹ Signed February 23; Department of State Executive Agreement Series No. 241, or 56 Stat. 1433.

² Brackets appear in the original.

matter has been discussed with representatives of the Treasury in a preliminary and inconclusive way. It would seem desirable to take up the matter again in a more definitive manner.

With respect to the question of possible projects which this Government might wish to suggest or recommend to the Chinese Government, it would seem that the Treasury Department would be the appropriate clearing house and reviewing agency within this Government and that the Department of State and other interested agencies should feel free to call to the attention of the Treasury Department such projects as may seem to them worthy of consideration. In this connection attention is called to Mr. Gauss's recent despatch³ in which a number of fields of activity are suggested by Mr. Gauss as warranting consideration for extension of financial aid under the loan.⁴

893.51/7422 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, March 1, 1942—noon.

[Received 8:25 p. m.]

176. The Embassy has learned in strict confidence that the Ministry of Finance has received from Washington and discussed a draft Sino-American loan agreement. The Ministry is said to resent the provision for consultation by the Chinese Government with the Treasury Department with respect to expenditures under the loan on the grounds that a measure of control is contemplated. It is disappointed to find that the loan is not granted as an absolute gift in recognition of, as the press has stated, China's contribution to the general war effort.

Whether or not we should provide for some means of repayment is a question of policy upon which I am not prepared to express an opinion. One prominent and intelligent Chinese banker has stated privately that the loan was obtained too easily to be appreciated or to insure provision for its effective use. The Embassy can detect here an assumption on the part of officials and bankers that the credit is a due compensation to China for what the Chinese [regard as] our past and present shortcomings and for China's past and present resistance to Japan.

I am convinced that we should be firm in insisting upon retention of the provision for consultation with the object of having some degree of control over the manner in which the large loan is expended. As I have verified in previous telegrams and in my despatch number

³ No. 266, January 8, p. 425.

⁴ See memorandum of March 4 by Mr. Alger Hiss, p. 476.

266 of January 8, I am more of the opinion that controls and allocation of portions of the loan for specific purposes will prove to be in the best interests of China as well as in our best interests.

GAUSS

[For letter of March 3 from the Chinese Minister for Foreign Affairs (Soong) to Under Secretary of the Treasury Bell, see Department of State, *United States Relations With China*, page 482. This letter enclosed a revised draft of the proposed loan agreement differing from the initial draft handed to Mr. Soong on February 21, *ibid.*, page 479, only in omitting article II and revising article III (as new article II) to read as follows:

ARTICLE II
(Originally Article III)

The final determination of the terms upon which this financial aid is given, including the benefits to be rendered the United States in return, is deferred until the progress of events after the war makes clearer the final terms and benefits which will be in the mutual interest of the United States and China and will promote the establishment of lasting world peace and security. In determining the final terms and benefits the United States and China shall take full cognizance of the desirability of maintaining a healthy and stable economic and financial situation in China in the post-war period as well as during the war and to the desirability of promoting mutually advantageous economic and financial relations between the United States and China and the betterment of world-wide economic and financial relations. (893.51/7464.)]

893.51/7397‡

Memorandum by Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck) ⁵

[WASHINGTON,] March 4, 1942.

I showed the attached memorandum ⁶ to Mr. Currie yesterday and discussed it briefly with him.

Mr. Currie seemed to be in agreement with the views expressed in it. He said that he did not think the term "board of review" would be a good name to employ because it would imply too much in the way of veto power or supervision. In general, he seemed to feel that we would have to rely primarily upon consultation and said that he thought the most effective consultation would have to take place in China.

⁵ Addressed to Mr. Hornbeck.

⁶ See document prepared in the Department of State, dated February 28, p. 473.

He said that in addition to the points made in the memorandum as to why the United States has a significant interest in the uses to which the loan will be put, he considered it important to point out the necessity that the executive report to Congress on the use made of these funds. He remarked upon the fact that the loan had been consciously patterned after the Lease-Lend operations. The Lease-Lend Act specifically requires reports to Congress. He felt that as a practical matter the executive could do no less in regard to the loan than it is required to do in connection with operations under the Lease-Lend legislation. In this same connection he said that all Lease-Lend requests are individually scrutinized and passed upon by the United States Government. The loan procedure which we envisage is, he said, certainly far more liberal than the established Lease-Lend procedure.

I also showed a copy of the memorandum to Mr. Fox who expressed himself as entirely in agreement with the points made in it. At his request I let him have a copy for his own use and not for attribution.

A[LGER] H[ISS]

893.51/7473

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton)*

[WASHINGTON,] March 6, 1942.

Subject: Proposed Financial Agreement with China

The Chinese Government makes three substantive suggestions for changes in the proposed agreement.

The first such change is that Article II be eliminated. This Article contemplates that the Chinese Government will keep this Government informed as to the use of the funds and will consult this Government from time to time as to such usages.

The second change is the addition of the phrase "after the war". This change, if accepted, would definitely postpone the period for final determination of the terms upon which aid is extended to China until after the termination of hostilities.

The third change is that there be deleted from Article III the words referring to interest charges. In this suggestion the Chinese Government obviously has in mind eliminating any indication that the financial aid extended by the Government of the United States will be repaid in money.

With regard to the suggested elimination of Article II, it seems desirable that there be kept in mind points as follows:

(a) The Joint Resolution approved February 7 authorizes the Secretary of the Treasury "to loan or to extend credit or give other financial aid to China" and it would seem extremely doubtful that

the Congress intended that the executive branch of the Government should make an agreement which would discard at the outset and in entirety the words "to loan or to extend credit";

(b) The Secretary of the Treasury will presumably make an accounting to the Congress of the ways in which the funds are expended;

(c) Congress may be expected, as time goes by, to give increasingly careful scrutiny to reports of the ways in which the funds are expended;

(d) Committees of Congress have already indicated in their attitude toward the lend-lease agreement with the British Government the accuracy of the comments made in (b) and (c) above;

(e) The extension by the United States to China of financial aid is a cooperative enterprise to be regarded as an integral part of the common war effort of the two countries, and, as such, general consultation and the mutual offering of suggestions are normal, to be expected, and desirable;

(f) The agreement with China will undoubtedly be looked to as a precedent in connection with proposals from other governments that similar financial aid be extended to them.

With regard to the suggested addition of the phrase "after the war", there would seem to be no strong argument against such addition, although it does leave the United States Government comparatively empty-handed with respect to requiring the performance of "benefits to be rendered".

In considering the desire of the Chinese Government for the elimination of mention of interest in the proposed agreement, the comment made under subparagraph (a) above would seem to be pertinent.

With the foregoing points in mind, it is recommended that it be suggested to Dr. Soong that Article II be eliminated from the agreement; that the first two sentences of the draft Article II be made the basis of an exchange of notes between representatives of the two Governments to be effected with conclusion of the agreement; and that, if the foregoing is acceptable to the Chinese Government, the other changes suggested by the Chinese Government be made.

It is suggested that it might be pointed out to Dr. Soong that in considering this whole matter this Government necessarily had to keep in mind the various considerations listed on page two⁷ and that we had given thought to other ways of proceeding in the light of those considerations but had discarded those other ways in the thought that they would not be so acceptable to China as the way suggested in the tentative draft handed to Dr. Soong. Dr. Soong might be told that among these other ways were (1) the drafting of a normal credit or loan agreement, with provision that no interest be paid and that payments of principal be made in accordance with an agreed schedule and an agreed date for the beginning of such payments; and (2) the

⁷ Paragraphs (a) through (f).

including in an agreement of a provision for the setting up by the Chinese Government of some sort of a special body (possibly the Chinese member and the American member of the Chinese Stabilization Board) on which there would be one representative nominated by the Secretary of the Treasury, which special body would be charged with approval under the Chinese Government of projects for the use of the funds to be made available by the Government of the United States.

Dr. Soong might be informed further that if the Chinese Government has any suggestions which in its view would be preferable for meeting the responsibilities which this Government has in connection with the extension of the financial aid under reference to China, this Government would welcome such suggestions.

893.51/7422 : Telegram

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

WASHINGTON, March 6, 1942—9 p. m.

154. Your 176, March 1, noon. Several days ago the Treasury Department gave to T. V. Soong informally a draft of an agreement⁸ whereunder the \$500,000,000 appropriated would be made available to the Chinese Government, with an explanation that this was to be regarded as a tentative draft presented to Soong for his consideration and with invitation to him for his comments or suggestions. It was not intended that Soong refer the draft to his Government before informing Treasury officials, and through them State Department officials, of his reaction, with suggestions, if any; and because of that, the Department did not inform you by telegraph of the action taken.

Department suggests that, unless you perceive objection, you inform appropriate high officials of the Chinese Government informally and in confidence of the above.

Department, as the matter now stands, believes it desirable that you refrain from being drawn into any discussion of terms or provisions of a potential agreement regarding the funds; but, should you be drawn into any discussion of the subject in general, you might to advantage point out that in this country the authorities responsible in connection with disposal and use of appropriated funds are under obligation to report periodically upon the uses to which funds are put.

WELLES

⁸ February 21, *United States Relations With China*, p. 479.

893.51/7463

Memorandum of Conversation, by the Chief of the Division of Far Eastern Affairs (Hamilton)

[WASHINGTON,] March 7, 1942.

Participants:	Mr. Bell	} of the Treasury Department
	Mr. Bernstein	
	Mr. Viner	
	Mr. Fox	
	Mr. Southard	
	Mr. Friedman	} of the State Department
	Mr. Luthringer ⁹	
	Mr. Alger Hiss	
	Mr. Hamilton	

At the request of Under Secretary Bell of the Treasury Department there was held this morning at 10:15 a meeting in Mr. Bell's office in the Treasury Department attended by those mentioned above to give consideration to the comments made by Dr. Soong in his letter of March 3¹⁰ on the draft of the proposed loan agreement with China. (Mr. Hornbeck and Mr. Livesey were unable to attend because of prior engagements.)

Mr. Bell opened the meeting by asking whether the State Department had formulated views as to the procedure to follow in the light of the comments made by the Chinese Government. Mr. Hamilton replied that Dr. Soong's letter had been read and studied only by the three officers present from the State Department and by Mr. Hornbeck; that we had tried to see Mr. Berle and Mr. Welles, but as yet we had not been able to reach either; and that the Treasury Department had done such an excellent piece of work in formulating the original draft that we wondered whether they might not have some ideas as to what the best step would be. Mr. Bell then commented that, while he had not yet consulted the Secretary of the Treasury, it was Treasury's thought that the best thing to do would be to accept the proposition as put forth by Dr. Soong in his letter of March 3. Mr. Hamilton then said that the responsibility for making the decision was placed by the Joint Resolution upon the Secretary of the Treasury, subject to the approval of the President, and that any opinion expressed by the State Department would of course be simply of an advisory character. Mr. Hamilton repeated that we had as yet been unable to obtain the views of Mr. Berle and Mr. Welles. Mr. Hamilton then gave a brief summary exposition of the views set forth in the memorandum of March 6 on the subject "Proposed Financial Agreement

⁹ George F. Luthringer, Assistant Chief of the Financial Division.

¹⁰ See bracketed note, p. 476.

with China" and raised expressly the question of endeavoring to effect an exchange of letters with the Chinese representatives embodying the substance of article two of the original draft of the proposed agreement. (Mr. Hamilton did not exhibit the memorandum of March 6 and he did not leave a copy of it with the Treasury Department.) Mr. Viner, Mr. Bernstein, Mr. Bell, and Mr. Fox each expressed himself definitely as in favor of acceding to the proposal put forth in Dr. Soong's letter of March 3. Mr. Luthringer and Mr. Hiss raised briefly certain considerations along the lines of the comment made by Mr. Hamilton. However, in view of the very definite indication that the Treasury Department desired to proceed as indicated by Mr. Bell, the representatives from the State Department did not feel that they should press the considerations which they had raised.

After the discussion was rather far advanced, it developed that Mr. Bernstein had in mind the drafting of a letter to Dr. Soong in reply to Dr. Soong's letter of March 3 thereby taking cognizance (perhaps only by implication) of the statements made in Dr. Soong's letter, particularly the statement to the effect that China in any case would like to keep the Secretary of the Treasury informed. Mr. Bell said that he thought that Mr. Bernstein's idea would afford all the safeguard that would be needed and wise to ask for under existing circumstances.

After a telephone conversation with Mr. Hornbeck, Mr. Hamilton said that Mr. Hornbeck had suggested that we reach no definitive decision at the meeting, but that the decision be left open pending reference of the matter in so far as the State Department was concerned to Mr. Welles.

Mr. Bernstein undertook to complete the draft of a letter to Dr. Soong as outlined in the last paragraph on page three of this memorandum and to send it to the State Department today. Mr. Bell expressed the hope that we could refer the matter promptly to Mr. Welles and get word back to the Treasury Department by noon on Monday as to whether this Department would be agreeable to proceeding as outlined by Mr. Bell. Mr. Hamilton said that he thought that we would be able to get Mr. Welles' views by Monday noon. Mr. Fox mentioned that next Thursday, March 12, was a Chinese holiday, it being one of the anniversaries connected with Sun Yat Sen (the anniversary of Sun Yat Sen's death), and Mr. Bell expressed a desire to move forward as fast as possible in concluding an agreement. He had previously mentioned the desirability, as he saw it, of concluding the agreement next week.

Mr. Bell said that Mr. Welles might possibly wish to speak directly to Mr. Morgenthau in regard to the matter and he also raised

the question whether it might not be helpful possibly for Mr. Welles and Mr. Morgenthau to talk to Dr. Soong and to point out orally to Dr. Soong in the most friendly manner that this Government necessarily had responsibilities in regard to the attitude of Congress, both at present and over the long swing, and in reference to the question of there being established in the case of China a precedent which would affect our relations with other countries.

M[AXWELL] M. H[AMILTON]

893.51/7429

*The Acting Secretary of State to the Secretary of the Treasury
(Morgenthau)*

WASHINGTON, March 9, 1942.

MY DEAR MR. SECRETARY: I refer to your request for my comment in regard to the proposed agreement to extend financial aid to China pursuant to Public Law 442, approved February 7, 1942,¹¹ and Public Law 452, approved February 12, 1942.¹²

The matter is, of course, one with regard to which responsibility lies primarily with you and the President. In my opinion, retention of Article II of the draft originally presented to Dr. Soong or an exchange of letters along the lines thereof would serve useful purposes both for the Chinese Government and for this Government. I believe that such a provision would be reflective of the cooperative spirit which underlies the common war effort of the two countries and might be of some assistance to the Chinese Government in resisting pressure from any group in China which might advocate an unwise use of any part of the funds made available.

Realizing that you have considered both the economic and the political angles of the problem, I am prepared, in view of the opinion which you have expressed orally that the adoption of the Chinese Government's suggestions would be satisfactory, to concur in the conclusions at which you arrive and the course which you propose.

Sincerely yours,

SUMNER WELLES

893.51/7434

*The Secretary of the Treasury (Morgenthau) to the Acting Secretary
of State*

WASHINGTON, March 10, 1942.

MY DEAR MR. WELLES: I have your letter of March 9, 1942, in which you question the desirability of eliminating Article II from the draft of the Agreement presented to Dr. T. V. Soong.

¹¹ 56 Stat. 82.

¹² 56 Stat. 89.

I would welcome any provisions in the financial arrangement with China which would protect the financial interests of the United States, as well as promote the most effective economic use of the funds by the Chinese. If there were not overbalancing political and military considerations, I would insist upon the retention of Article II of the original draft, and even inclusion of stronger provisions. But it has always been agreed at meetings between State and Treasury Departments that the purposes of the financial aid were predominantly political, diplomatic, and military. These considerations therefore have determined the formulation of the terms of the Agreement which was submitted to the Chinese.

As you know, the first draft handed to the Chinese Government included Article II calling for consultation and exchange of information. However, in view of Generalissimo Chiang Kai-shek's reactions to Article II, and of his request that it be omitted, communicated to us in the letter from Dr. T. V. Soong to this Department, the Treasury was unwilling to risk jeopardizing the important political and military value of this financial aid by insisting upon the retention of Article II in the Agreement and therefore raised that question with the State Department.

In light of the fact that the determination of the inclusion or the exclusion of Article II turns almost wholly on questions of political character, and in view of our telephone conversation of today, I should like to have you advise me as to what our next step should be in replying to the Generalissimo.

Since I feel that time is of the essence and that we should consummate this Agreement without delay, I would appreciate an answer from you on this matter as soon as possible.

Sincerely yours,

H. MORGENTHAU, JR.

893.51/7434

*The Acting Secretary of State to the Secretary of the Treasury
(Morgenthau)*

WASHINGTON, March 11, 1942.

My DEAR MR. SECRETARY: I refer to your letter of March 10 on the subject of the draft of the proposed agreement regarding the extension of financial aid to China.

All parties concerned are in agreement that the purposes of the extension of this financial aid are predominantly political, diplomatic and military.

The draft which you submitted to Dr. T. V. Soong for consideration contains in its four articles provisions which make readily available to the Chinese Government without restrictive commitments the

\$500,000,000 which the Congress appropriated for the making of a loan, the extending of a credit or the giving of other financial aid to China. It does not in fact impair or restrict the Chinese Government's freedom of action in the making of disbursements.

In his letter to Mr. Bell of March 3 Dr. Soong suggests, on behalf of Generalissimo Chiang Kai-shek, the making of a number of changes. In my opinion, we can readily accept most of these suggestions and proceed accordingly. With regard, however, to the suggestion that Article II be omitted in its entirety, it seems to me that there is ample warrant for a discussion of the matter and that we should endeavor to cause Dr. Soong and the Generalissimo to realize that provisions such as appear in the draft of that article are desirable from point of view not only of this Government but of the Chinese Government.

With regard to procedure, I would suggest that there first be made a redraft of the proposed Article II and that there then be communicated to Dr. Soong a statement by you that we are in complete concurrence with his comments and the changes which he has suggested except as regards that article, and that, in the light of his comments on that article, there is submitted to him for his consideration a possible alternative form.

Toward facilitating procedure along that line, I submit here attached for your consideration a draft of a possible substitute for Article II.

Another possible line of procedure which might be considered would be that of putting the substance of this suggested alternative draft of Article II into letters which might be exchanged between you and Dr. Soong.

In as much as the only delay which has occurred in connection with the attention which has been given this matter has been delay on the part of the Chinese, I would further suggest that, in whatever communication you make to Dr. Soong, you indicate to him that all officers of this Government who are concerned with the negotiating of this agreement are eager to bring the matter to a mutually satisfactory conclusion with the utmost possible expedition.

Sincerely yours,

SUMNER WELLES

[Enclosure]

DRAFT

ARTICLE II

As a manifestation of the cooperative spirit which underlies the common war effort of China and the United States, appropriate officials of the two Governments will confer from time to time regarding

technical problems which may arise in connection with the financial aid herein provided and will exchange information and suggestions regarding ways and means of most effectively applying these funds toward achieving the purposes which are envisaged by the two nations.

893.51/7431 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, March 11, 1942—11 a. m.

[Received 7:50 p. m.]

216. Department's 154, March 6, 9 p. m. The Embassy is of the opinion that it would be inappropriate to inform officials of the Chinese Government even informally of the situation described in the initial paragraph of the reference telegram.

The information contained in the Embassy's 176 of March 1, noon, was received from non-Chinese sources.

GAUSS

893.51/7466

Memorandum of Conversation, by the Chief of the Division of Far Eastern Affairs (Hamilton)

[WASHINGTON,] March 12, 1942.

Mr. Bell of the Treasury Department telephoned at four this afternoon. He said that he had tried to get in touch with Dr. T. V. Soong, but that Dr. Soong had not been able to see him today because he (Dr. Soong) had to go to New York to see a doctor. Mr. Bell said that Mr. Fox was also going to New York today and that in the circumstances, in order to avoid any appearance of delay on our part, Mr. Bell had asked Mr. Fox to call on Dr. Soong tomorrow in New York, to inform Dr. Soong that we had accepted all the other suggestions made by Dr. Soong, and to hand Dr. Soong for study and consideration the revised draft of Article II which was forwarded to the Treasury Department by this Department in Mr. Welles' letter to Mr. Morgenthau of March 11. Mr. Bell said that Mr. Fox was to suggest to Dr. Soong that Dr. Soong think over this possible new draft of Article II until his return to Washington when he could give the Treasury Department his reaction thereto. Mr. Bell said that Dr. Soong might of course do what he had done with the previous draft and simply refer the revised draft of Article II to his Government by telegraph. Mr. Bell said also that in case Dr. Soong returned to Washington by Saturday morning we might be able to have another meeting on the matter Saturday morning.

Mr. Bell said that he had telephoned in order to inform us of this development. I thanked him for so doing.

M[AXWELL] M. H[AMILTON]

893.51/7467

*The Chinese Minister for Foreign Affairs (Soong) to the
Under Secretary of the Treasury (Bell)*¹³

[WASHINGTON,] March 19, 1942.

DEAR MR. BELL: Confirming our conversation, I have to inform you that I have received a reply from the Generalissimo with reference to your proposal to re-insert Article II of the proposed loan agreement in a modified form.

The Generalissimo states that after carefully consulting his colleagues he feels that even in the modified form Article II is generally construed as limiting the freedom of action in the use of the proceeds, and would therefore adversely affect the public response to bonds, savings deposits and other measures that are to be based on the loan.

In addition, among his soldiers, who have been tremendously heartened by the generous and unconditional assistance as revealed in the exchange of messages between the President and himself, the inclusion of Article II would create the impression that the terms are not as clear-cut as they envisaged.

The Generalissimo therefore feels that the civilian and military reactions are such as to justify his request that Article II be dropped completely, and I shall be grateful if you will transmit his message to your colleagues for their consideration.

With kind regards [etc.]

TSE VUN SOONG

893.51/7520

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] March 19, 1942.

Reference, Dr. T. V. Soong's letter of March 19 to the Under Secretary of the Treasury, Mr. Bell, regarding the draft, in modified form, of Article II of the proposed loan agreement.

My surmise is that the Generalissimo is taking his position upon recommendation made to him by advisers (Chinese) who are making of this a political poker game; that they are trying to force the United States Government into a position assumption of which by it will not

¹³ Copy received in the Department on March 19.

only give the Chinese the \$500,000,000 "without strings" but will score for them a first-class diplomatic victory the consequences of which in the long run will be good neither for this country nor for China.

Chiang Kai-shek first asked, in December, for a *loan*. Now it would appear that he is asking for a *gift*. This is, in my conjecture, a product of clever maneuvering on the part of his advisers.

In evidence, witness excerpts from telegrams, herewith.

Mr. Gauss, on December 30, 1941, in telegram 548, December 30, 6 p. m.,¹⁴ stated that General Chiang had sent for him on that day and, after reviewing recent measures for military and political collaboration with the United States and Great Britain, had stated that America and Britain must help China financially. Mr. Gauss said, "he wants a credit of about \$1,000,000,000 American dollars"; he has asked the British Government to provide about half of this; he said that the proposed loan would be used partially for a domestic bond issue designed to curb inflation. "The Generalissimo stated that plans for the use of the proposed loan or credit were being worked out by experts and advisers but meanwhile he desired me to make the proposal to my Government and when the loan is assured the proposals for its application can be put forward."

On January 9, Mr. Fox telegraphed the Secretary of the Treasury (Chungking's 29, January 9, 2 p. m.) transmitting a message from Dr. Kung. Kung stated that China had been fighting for four and a half years with untold sacrifices and heavy strain on her resources; her financial and economic situation was now in precarious state; it was necessary to keep control of prices and currency without curtailing production; "if financial and economic front, already very critical, should collapse, impossible to carry on war"; "therefore, I appeal to you for a \$500,000,000 political war loan".

On January 9 Mr. Fox telegraphed the Secretary of the Treasury (Chungking's 30, January 9, 3 p. m.). *Inter alia*, he said: "If impracticable to tie up Stabilization Board with loan could American representation be provided not as a protection for the United States but in order to make certain that most effective use would be made of funds in strengthening financial and economic structure of China?"

Mr. Gauss, on March 1, 1942, in telegram 176, March 1, noon, states that he has learned in strict confidence that the Ministry of Finance had received from Washington a draft of a Sino-American loan agreement. He had been told that the Ministry of Finance resented the provision for consultation and that it was "disappointed to find that the loan is not granted as an absolute gift in recognition of . . ."¹⁵

¹⁴ *Foreign Relations*, 1941, vol. v, p. 768.

¹⁵ Omission indicated in the original.

China's contribution to the general war effort." "One prominent and intelligent Chinese banker has stated privately that the loan was obtained too easily to be appreciated or to insure provision for its effective use." In conclusion, Mr. Gauss says: "I am convinced that we should be firm in insisting upon retention of the provision for consultation with the object of having some degree of control over the manner in which the large loan is expended. As I have verified in previous telegrams and in my despatch number 266 of January 8, I am more of the opinion that controls and allocation of portions of the loan for specific purposes will prove to be in the best interests of China as well as in our best interests."

The matter has gone so far (and so) that I must confess I am at a loss for an idea of anything to do that would put this Government in what I would regard as a satisfactory position. As a possible alternative to complete capitulation, we *might* turn the tables by taking a position that, in as much as the Congressional authorization provides for "a loan, a credit or other financial aid", we are not prepared to make an unconditional gift in the amount of \$500,000,000 but would be willing to enter upon an agreement for making \$X available on the terms which China demands, leaving the remainder of the \$500,000,000 for future consideration on the basis of a loan or a credit. Should it be decided that the Chinese demand must be acceded to, it is believed that consideration should be given to the possible desirability of consulting the chairmen of certain Congressional committees before casting the die.

893.51/7468

Memorandum of Conversation, by the Acting Secretary of State

[WASHINGTON,] March 21, 1942.

The Foreign Minister of China, Dr. T. V. Soong, called to see me this morning at my request.

I told Dr. Soong that after the conversation of the President with the Secretary of the Treasury I had asked him to be kind enough to come to see me in order that I might talk over with him certain problems which would arise in the event that the purport of Article 2 of the agreement which had been drafted for signature by him and by Secretary Morgenthau covering financial assistance by the United States to China in the sum of 500 millions of dollars were omitted.

I said that of course the action of the Congress and the Executive of the United States in granting financial aid to China to the extent of half a billion dollars indicated our full confidence in the Chinese Government and the extent of the desire of the United States to assist

China in our common war effort. I said that, however, sooner or later there would be an insistent demand in the United States on the part of our own people for information as to how this assistance rendered by us had in reality aided the Chinese Government and people in the common war effort and that if there were no provision included in the record of the agreement and of the negotiation which led up to it under which the Chinese Government was to furnish this Government with full information as to the manner in which these funds had been expended, a situation would inevitably arise which would be detrimental to the best interests of both countries and to the relations between them.

I said that I fully understood, in view of the Generalissimo's message to the President, that the Chinese Government interpreted this assistance as being "without any conditions attached". I was therefore not suggesting any reconsideration of this aspect of the matter, but I wondered if Dr. Soong would not agree for the reasons I had mentioned that a unilateral statement on the part of the Chinese Government to this Government that in view of this cooperation which so happily existed between our two countries, it intended to inform the Secretary of the Treasury of the United States fully from time to time of the disposition which had been made of these funds would not be a desirable solution.

Dr. Soong immediately stated that he would be very glad indeed to have this done and that if I agreed, he would immediately address in the name of his Government a letter in that sense to the Secretary of the Treasury.

I expressed my appreciation of his friendly and cooperative attitude and said I thought this would indeed be exactly the procedure which would settle the matter satisfactorily. I said that if this step were now taken, I felt sure that the agreement could immediately be concluded.

S[UMNER] W[ELLES]

893.51/7504

*The Chinese Minister for Foreign Affairs (Soong) to the Secretary of the Treasury (Morgenthau)*¹⁷

[WASHINGTON,] March 21, 1942.

MY DEAR MR. SECRETARY: In connection with the Agreement between the Governments of the United States of America and the Republic of China regarding financial aid to China,¹⁸ as a manifesta-

¹⁷ Copy transmitted to the Department on March 25 by the Treasury Department.

¹⁸ See bracketed note, *infra*.

tion of the cooperative spirit which underlies the common war effort of our two countries, I wish to inform you that it is the intention of my Government, through the Minister of Finance, to keep you fully informed from time to time as to the use of the funds provided in the said Agreement.

Sincerely yours,

TSE VUN SOONG

[For joint statement by the Secretary of the Treasury (Morgenthau) and the Chinese Minister for Foreign Affairs (Soong) and text of agreement signed at Washington, March 21, see Department of State *Bulletin*, March 28, 1942, page 263, or *United States Relations With China*, page 510.]

893.51/7443a : Telegram

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

WASHINGTON, March 23, 1942—5 p. m.

206. Please inform Dr. H. H. Kung, Minister of Finance that the following letter to him from Henry Morgenthau, Jr., Secretary of the Treasury, is being mailed today.

“Dear Dr. Kung: I would like to take this occasion on the conclusion of our negotiations on financial aid to China to express my appreciation of the cooperative and understanding spirit which you and the other members of the Government of China have always brought to discussions with me and my Government.

The peoples of the United Nations have benefited from the indomitable will shown by the Government of China and its valiant leader, Generalissimo Chiang Kai-shek, to fight on until the last Japanese soldier has been driven back into the sea and the evil forces of Japanese militarism destroyed.

The financial assistance being given by the United States to China illustrates to the entire world the good faith and determination of the United Nations when they pledged themselves to pool their resources to defeat the common enemy. Of equal importance it is an expression of the faith and confidence which the American people have in their comrades-in-arms—the Chinese people and their leaders.

The fulfillment of the purposes of the Agreement will greatly strengthen China's ability to continue its successful resistance. The past splendid record of the Government of China in adhering to the aims and intent of Agreements entered into with the U.S. Treasury give me absolute confidence that the carrying out of the Agreement will be to the mutual satisfaction of both countries.

Sincerely yours,

Henry Morgenthau
Secretary of the Treasury”

WELLES

893.51/7441 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, March 25, 1942—6 p. m.

[Received 6:04 p. m.]

276. Doctor H. H. Kung, signing as Vice President¹⁰ and concurrently Minister of Finance, has asked the Embassy to transmit the following telegrams each dated March 24:

Number 1. To the President:

"In conclusion of the five hundred million dollar loan agreement, I wish to express on behalf of the Chinese Government and people my deep appreciation of America's readiness in answering our call for financial aid. The consummation of the loan is a glorious tribute to America's sympathetic and generous understanding of China's needs and a magnificent manifestation of the spirit of the Atlantic Charter. The speed with which the loan was adopted is the best answer to critics who consider democratic governments incapable of quick action. America's contributions to China's war chest, I am sure, will greatly invigorate China's internal economy and strengthen her war efforts, thereby hastening the common victory of free peoples over aggression. The Chinese people will always remember your leadership in bringing about this timely support for our common cause."

Number 2. To the Secretary of the Treasury:

"On behalf of the Chinese Government and people, I wish to assure you of my deep appreciation for all you have done to make possible the consummation of the recent American loan to China. We remember the assistance you were so largely instrumental in giving us in the past when we were resisting aggression single-handed. Recent events have fully vindicated your foresight and [apparent omission]. I am sure America's contributions to China's war chest will greatly invigorate our internal economy and strengthen our war efforts, thereby hastening the inevitable defeat of our common enemy."

GAUSS

893.51/7443

The Chinese Ambassador (Hu Shih) to the Secretary of State

WASHINGTON, March 26, 1942.

MY DEAR MR. SECRETARY: I take pleasure in transmitting to you a telegram from Dr. H. H. Kung, Minister of Finance and Vice-President of the Executive Yuan, under date of March 25 as follows:

I wish to express the deep appreciation of the Chinese Government and people for all you have done in helping the consummation of the recent American loan to China. The speed and unanimity with which the loan was adopted are a tribute to your statesman-like grasp

¹⁰ Of the Chinese Executive Yuan (Vice Premier).

of our position and needs and a magnificent illustration of fighting democracy in action which will hasten our common victory over aggression.

(Signed) H. H. Kung

I remain [etc.]

HU SHIH

893.51/7441 : Telegram

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

WASHINGTON, March 27, 1942—9 p. m.

229. Your 276, March 25, 6 p. m., paragraph numbered 1. Please convey to Dr. Kung the following message from the President :

“I have received and I thank you for your message of March 24, telegraphed through Ambassador Gauss, in regard to the conclusion of the agreement extending \$500,000,000 of financial aid to China. I am glad indeed that, in times which call for forthright and prompt action, our two Governments have been able to consummate expeditiously a negotiation of such importance; and I am confident that the beneficial results of our cooperative effort toward a common end will measure up to the expectations of the Government and people of China as well as those of the Government and people of the United States.”

WELLES

893.51/7452b : Telegram

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

WASHINGTON, March 27, 1942—10 p. m.

231. Reference second paragraph Department's 216, March 25, 11 p. m.^{19a} The Chinese Minister for Foreign Affairs has requested that his letter of March 21 to the Secretary of the Treasury be amended to include a phrase to the effect that the channel through which the Chinese Government would keep the Secretary of the Treasury informed would be the Chinese Minister of Finance.

WELLES

893.51/7470

Memorandum by the Chief of the Division of Far Eastern Affairs (Hamilton)

[WASHINGTON,] March 28, 1942.

Subject: Financial Assistance to China

On March 19, Mr. Hornbeck, Mr. Livesey, Mr. Luthringer and myself attended a meeting in Mr. Bell's office at the Treasury Department

^{19a} Not printed.

to consider further the question of financial assistance to China in the light of Dr. T. V. Soong's letter of March 19 to Mr. Bell in which Dr. Soong stated that General Chiang Kai-shek felt that Article II of the proposed agreement, even in the modified form suggested, would be objectionable and General Chiang requested therefore that that Article be dropped completely. Representatives of the Treasury Department present at the conference were Mr. Bell, Mr. White, Mr. Bernstein, Mr. Southard, Mr. Friedman, Mr. Viner and Mr. Fox.

At the request of Mr. Bell, Mr. Hornbeck explained the view of the Department of State. (Prior to attending the conference, Mr. Hornbeck, Mr. Livesey and Mr. Hamilton had discussed the matter briefly with Mr. Welles who asked that we endeavor to seek the agreement of the Treasury Department to try to get the Chinese to agree to include the substance of Article II (relating to exchange of information and consultation as to use of the funds) in an exchange of letters.) Mr. Hornbeck said that under instruction he wished to suggest that we endeavor to obtain Chinese agreement to an exchange of letters which would incorporate the substance of Article II. Mr. Hornbeck gave reasons in support of this suggestion.

Mr. Bell said that the Secretary of the Treasury was inclined, unless the Department of State perceived objection, to agreeing to the Chinese request and concluding the agreement with the omission entirely of Article II. Various representatives of the Treasury Department expressed comment, all in favor of accepting the Chinese proposal *in toto*. Some of the points which the Treasury representatives brought out were that the exchange of messages between the President and Chiang Kai-shek, in which Chiang Kai-shek asked for financial aid without any conditions attached, had set the framework for any agreement; that we should treat China with full confidence; and that with every exchange of communications and the rejection by China of ideas put forward by this Government the situation became progressively worse and the position of this Government less strong. After considerably more than an hour of discussion back and forth, Mr. Hornbeck suggested that Mr. Viner and Mr. Hamilton draft a possible exchange of letters. The meeting adjourned on the understanding that Mr. Viner and Mr. Hamilton would prepare such a draft, but on the understanding also that the idea of an exchange of letters had not been accepted by those present at the meeting. Mr. Bell expressed the view that it might be well for Mr. Morgenthau and Mr. Welles to discuss the question with the President or for the question to be brought up at the Cabinet meeting the next day, March 20.

Mr. Viner and Mr. Hamilton prepared two alternative sets of a possible exchange of letters. Copies are attached.²⁰

²⁰ Neither printed.

On the morning of March 20 FE prepared a redraft, based on the Viner-Hamilton drafts, of a possible exchange of letters. A copy of this redraft is attached.²¹ Mr. Hornbeck and Mr. Hamilton reported to Mr. Welles orally what had transpired at the meeting at the Treasury Department the previous afternoon and showed Mr. Welles the draft of a possible exchange of letters. Mr. Welles said that he would be prepared to discuss the matter at the Cabinet meeting that afternoon.

As a result of the discussion at the Cabinet meeting, the President directed Mr. Welles to speak to Dr. Soong. (See memorandum of conversation of March 21 between Mr. Welles and Dr. Soong.)

M[AXWELL] M. H[AMILTON]

893.51/7479

The Ambassador in China (Gauss) to the Secretary of State

No. 345

CHUNGKING, April 1, 1942.

[Received May 4.]

SIR: I have the honor to transmit, for the information of the Department, certain material²¹ indicating the Chinese reaction to the recently concluded agreement for the loan of \$500,000,000 to China.

As indicative of official Chinese publicity, there are enclosed:

Text of statement made by Dr. H. H. Kung, the Minister of Finance, to representatives of the Chinese and foreign press on March 24;

Report, released by the official Central News Agency, of remarks made by Dr. Kung at a press conference on March 24, regarding the uses to which the funds derived from the loan will be put.

In addition to these statements by the Minister of Finance, the press has given considerable space to regular news reports of the loan and has quoted the various telegrams exchanged between the concerned officials of the two Governments after the signing of the Agreement.

Editorial comment on the loan agreement has been made by almost all local newspapers, which without exception expressed China's gratitude for the loan and praise for the spirit in which it was made. Most of this comment, however, has been rather vague in discussing the uses to which the funds should be put and the following two articles have been selected, not only because they are the views of influential papers, but because they appear the most reasoned and interesting:

²¹ Not printed.

Translation of editorial appearing in the *Hsin Hua Jih Pao* (Communist) of March 24, 1942;

Translation of editorial appearing in the *Ta Kung Pao* (Independent) of March 27, 1942.

Both articles express the fear that the additional credit made available by the intended domestic bond issues based on the loan may, unless more careful restrictions are imposed, have an inflationary effect opposite to that sought. In this they reflect a prevalent lack of confidence in the government's fiscal policy. But from this point the viewpoints of the two papers diverge. The *Ta Kung Pao*, consistent with its long advocated policy which it calls "deflation", lays the main emphasis on the monetary side of the problem, pointing out the dangers involved in considering the loan, and that from Great Britain, as a "reserve" for the Chinese currency, which although already greatly over-expanded hardly equals their face amount. In addition this paper believes that subscription to the proposed bonds by the well-to-do will have to be put on a compulsory basis, that the problem of hoarding should be attacked by the forced sale of hoarded stocks in exchange for bonds, and that use of the loan for stimulation of production must be most carefully controlled in order to avoid further inflationary effects. The *Hsin Hua Jih Pao*, on the other hand, believes that the question must be approached on a broader basis and that every possible means must be found to attack inflation and eliminate hoarding by increasing domestic production. It inferentially criticizes the sale of bonds redeemable in foreign currency as permitting the flight abroad of capital which would better be used in developing this domestic production. It is interesting to note that this paper, Communist in support, is the only one to insist that China should repay the loan.

Respectfully yours,

C. E. GAUSS

II. USE OF STABILIZATION FUND, EXCHANGE RATES, IMPLEMENTATION OF U. S. CREDIT TO CHINA, INFLATION PROBLEM IN CHINA, MONOPOLIES, ETC.

893.51 Salt Funds/265 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, January 12, 1942—3 p. m.

[Received January 12—11:47 a. m.]

34. Learning from the American Acting Associate Director General of the Chinese Salt Administration that a Government salt monopoly was to be established effective January 1 and that he had been informed by the Chinese Director General that it was proposed to reduce the status of foreign officers of the Administration from their

existing equal authority and joint responsibility with their Chinese colleagues to that of advisors, I made informal inquiry on the subject of the Minister of Finance²³ and was informed in reply that the monopoly would become effective from January 1 and "will not affect foreign loans originally secured on salt tax" and that "elective staff members who have been giving satisfactory service and who are technical experts will continue to be employed".

As China, according to my understanding, gave assurances to British and I believe American interests having loans secured on the salt revenues that China contemplated no material alteration in the existing form of the Salt Administration resulting in [change of ?] status of foreign employees, the action of the Minister of Finance raises a question of good faith, and, in addition, of heavy capital outlay to organize this Government monopoly at a time when the Government financial position is disorganized and currency inflation almost beyond control.

GAUSS

893.61331/312: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, January 12, 1942—4 p. m.

[Received January 12—12: 18 p. m.]

35. Reference my despatch No. 72 of July 21²⁴ regarding Chinese monopolies. Learning that the Minister of Finance, despite contrary counsel of government advisers, is [proceeding] with his plans for monopolies reforming [*sic*] a salt monopoly was actually being established effective January 1, I approached the Minister of Finance informally for information regarding a reported tobacco monopoly, expressing the concern of American leaf and other tobacco interests. He replied that monopoly of sale of cigarettes is being planned but it has not yet completed the legislative procedure and that all Chinese and foreign cigarette merchants are enjoying the same treatment in regard to tax laws and that there is no discrimination.

Inasmuch as the institution of monopolies will require heavy financial outlay, I have little doubt that the monopoly plans of the Minister of Finance are actually related to the loan which China hopes to obtain from the United States and Britain. It seems to me that the opportunity is now presented if we propose to entertain the Chinese request for financial aid²⁵ to make known to the Chinese Govern-

²³ H. H. Kung.

²⁴ Not printed.

²⁵ For correspondence on this subject, see pp. 419 ff.

ment that we are not prepared directly or indirectly to [finance?] expensive and harmful restrictive monopolies.

GAUSS

893.51 Salt Funds/265

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton)*

[WASHINGTON,] January 15, 1942.

Reference Chungking's telegrams no. 34, January 12, 3 p. m. and no. 35, January 12, 4 p. m., in regard to plans for the establishment of salt, tobacco and other government monopolies in China.

It appears from the telegrams under reference that the Chinese Government plans to proceed with the establishment of a government salt monopoly, effective January 1, and that plans are being made, though not so far advanced, for a cigarette monopoly.

The Department has been aware for more than a year that the Chinese Minister of Finance was making plans to establish various government monopolies. Early in the year 1941, Mr. O. C. Lockhart, Associate Director General of the Chinese Government Salt Administration, furnished the Department with detailed plans for the creation of a salt monopoly. According to these plans the establishment of this monopoly would require an outlay of \$1,500,000,000 (Chinese currency) to be financed by "loans" from the four government banks. It was fairly clear that new currency would have to be issued for the purpose at a time when China's currency inflation was almost getting out of control. (At the present time the sum required would probably be two or three times the earlier estimate). Moreover the establishment of monopoly would oblige the government to incur vast new transport problems at a time when the government is having great difficulty in meeting its existing transport problems.

The Department did not take any action in regard to the proposed salt monopoly, as the establishment of the monopoly seemed at that time not to be a matter of imminence. However, the Department's objections and opposition to the establishment of such a monopoly were made known to Ambassador Gauss in March 1941, prior to his departure for Chungking. Subsequently on July 4, 1941 the Department instructed Ambassador Gauss,²⁶ at a time when the establishment of a tobacco monopoly seemed to be in process of being established in China, to take discreet and informal steps to discourage the establishment of a tobacco monopoly, to express this Government's disapprobation of restrictive monopolies in general, and to point out

²⁶ Telegram No. 131, July 4, 1941, 2 p. m., not printed.

the inflationary effects which arrangements for the financing of a tobacco monopoly in China would have upon China's economy.

There is now under consideration the question of the extension of a substantial "political" loan to China. Although believing that an undertaking to refrain from the establishment of the monopolies in question should not be made a condition of such a loan, FE²⁷ considers that opportunity might be taken by officers of this Department, and perhaps also of the Treasury Department, to point out informally to appropriate Chinese officials that the establishment of these monopolies in China at this time would seriously aggravate a situation which the contemplated loan would be designed at least in part to remedy. It could be suggested to the Chinese officials that, in view of the probable deleterious effect of the monopolies on the Chinese economy, it would seem to be advisable that plans for these monopolies should be dropped.

M[AXWELL] M. H[AMILTON]

898.51/7427 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, March 5, 1942—10 a. m.

[Received March 5—9:33 a. m.]

190. From Adler²⁸ for Secretary of the Treasury.²⁹

"TF-18. 1. Hall-Patch³⁰ told board meeting on March 3 Bank of England cabled him that after furnishing board with pounds sterling 750,000 to meet sterling requirements since outbreak of Pacific War it need presumably expect no further calls from board in view of changed situation and pound sterling 50 million loan. Hall-Patch therefore inclined to favor suspension of board operations but yielded to consensus of meeting including chairman which was strongly opposed.

Suspension of board operations at this time would be very unfortunate. It would emphasize China's isolation, further weaken American and British prestige and influence here and would be welcomed by certain groups in Chinese Government. It would be difficult for board to resume operations once suspended. There is still some commercial cargo in Wanting and Lashio, import of which board should finance, and trickle of goods is expected from Burma and India over existing mule track even before regular new route is established.

²⁷ Division of Far Eastern Affairs.

²⁸ Solomon Adler, acting alternate American member of the Chinese Stabilization Board during absence of A. Manuel Fox, the American member.

²⁹ Henry Morgenthau, Jr.

³⁰ Edmund L. Hall-Patch, British member of the Chinese Stabilization Board.

Finally as Fox originally suggested existence of board may provide convenient instrument for use of loan because of confidence it enjoys.[²⁷]

GAUSS

893.51/7432 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, March 11, 1942—10 a. m.

[Received March 12—6:40 a. m.]

215. TF-20. For Fox care of Secretary of the Treasury from Adler.

1. Chinese board members report informally that Doctor Kung called a meeting of Chinese board members and financial and banking experts on March 9.

He said that T. V. Soong³¹ had recommended the following on New York bankers' advice: (a) lowering exchange rate to 4 cents, (b) using loan to guarantee and thereby encourage new savings deposits with Chinese banks, (c) these savings deposits to be redeemable in foreign exchange for about 1, 2 and 3 years and (d) possibility of using Stabilization Board as instrumentality with respect to (b) and (c).

With respect to (a), Doctor Kung felt the reduction would be too precipitous and was more disposed to accept a 5-cent rate. He is also inclined towards using differential exchange rates in connection with proposed dollar backed issues. The whole discussion at meeting was tentative and nothing definite emerged.

2. Dr. Kung told meeting Generalissimo³² wanted to have a stock market in Chinese Government securities opened in Chungking, adding that if a stock market is developed it should if it is possible include a market in grain futures.

3. Minister of Food, head of Bank of Communications, and newly appointed [General?] Secretary of Central Bank argued strongly at meeting for unfreezing Chinese assets in the United States and for restoring free exchange market here, but Dr. Kung opposed these suggestions.

4. Your cable of March 4³³ just received and your proposal [goes?] to next board meeting. [Adler.]

GAUSS

³¹ Chinese Minister for Foreign Affairs.

³² Chiang Kai-shek, President of the Chinese Executive Yuan (Premier).

³³ Telegram No. 147, March 4, 2 p. m., not printed.

893.51/7440 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, March 19, 1942—11 a. m.

[Received 2:55 p. m.]

244. From Adler for Fox, care Secretary of the Treasury:

"No. 22. 1. Y. C. Koo³⁴ informed me on March 17 that Ministry of Finance has been placed in embarrassing position as a result of public criticism of Ministry for not having revealed its plans for use of loan. Moreover, adoption of agreement in final form may take some time, and there is urgent need for some Government action to deal with deteriorating economic situation here. Ministry has hopes for going ahead on its plans for as long as possible, but it must obtain governmental indorsement for them and make necessary preparations for their execution. Therefore Ministry hopes plans now being formulated for new Chinese Government flotations native backing of part of United States loan will not be misunderstood by Treasury. Such action, he assured me, is in no way intended to violate the spirit of cooperation existing between the two Allies nor to obviate discussion on best methods of using loan.

2. Ministry of Finance is now pushing for adoption of following measures:

(a) Flotation of a United States dollar-backed bond issue with a 10-year maturity, paying 4 percent per annum, and to be redeemable in United States dollars. [It?] asserts the Executive Yuan has already endorsed this measure, but it has not yet been decided whether to give designated purchases a bonus by a flat discount in purchase price of bond or by selling bonds at an exchange rate more favorable than official rate. This measure has to go before Supreme Defense Council and its subcommittee on finance, and also the Legislative Yuan for ratification. Sale of bonds would probably not start before May.

(b) The four Government banks to accept savings deposits of 1, 2 and 3 years duration, paying 3, 3½ and 4% per annum respectively, and to be repayable in United States dollars at a rate of 5 United States cents per National dollar. Ministry is apparently contemplating reduction in official exchange rate to 5 cents before plan is promulgated.

It is intended to back (a) and (b) with United States dollars 100,000,000 each from American loan.

3. In course of conversation with Doctor Kung on March 18 above was corroborated. Y. C. Koo was evidently reflecting Ministry's attitude."

GAUSS

³⁴ Chinese Vice Minister of Finance.

893.51/7469 : Telegram

*The Chinese Minister of Finance (Kung) to the Secretary of State*³⁵

CHUNGKING, March 21, 1942.

I am happy to inform you that I have authorized the Universal Trading Corporation to hand over the last instalment necessary for the complete repayment of the Wood Oil Loan of February 8, 1939.³⁶ While the terms of the Agreement do not require full liquidation of obligation until January 1, 1944, sufficient funds have accumulated to make it possible at this time.

May I say that the Universal Trading Corporation's action is an indication of China's determination to maintain its traditional policy of faithful fulfillment of all its obligations. I shall also like to take this opportunity of expressing our deep appreciation for United States financial assistance to China³⁷ which has been all the more welcome because of its timeliness.

H. H. KUNG

893.51/7469

Memorandum of Conversation, by the Acting Secretary of State

[WASHINGTON,] March 24, 1942.

The Chinese Ambassador³⁸ called to see me this afternoon and left with me a copy of a message³⁹ received from his Minister of Finance stating that the Universal Trading Corporation of New York had been instructed to complete in full the repayment of the Wood Oil Loan of February 8, 1939, although full liquidation was not required, under the terms of the contracts, until 1944.

The Ambassador stressed the fact that the funds utilized in the repayment of this loan had come solely from funds derived from the tung oil contracts themselves.

The Ambassador spoke with great feeling of the fact that this loan, which was now repaid, had come at the darkest moment in the history of the Chinese struggle against Japan, right after the evacuation of Hankow by the Chinese forces, and that the effect of the loan had been tremendous and stimulating to the resistance of the Chinese people.

³⁵ Handed to the Acting Secretary of State by the Chinese Ambassador on March 24.

³⁶ See Generalissimo Chiang's message of March 25, 1939, to President Roosevelt, *Foreign Relations*, 1939, vol. III, p. 659.

³⁷ A joint statement was issued at Washington on March 21 when agreement was signed; see bracketed note, p. 490.

³⁸ Hu Shih.

³⁹ *Supra*.

I expressed very deep gratitude to the Ambassador for his statements and told him that I would send a copy of this message to the President for his information.

S[UMNER] W[ELLES]

893.61331/313 : Telegram

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

WASHINGTON, March 28, 1942—6 p. m.

235. Reference question of state monopolies of salt, tobacco, matches and sugar in China.

For your information the Department has prepared a brief memorandum ⁴⁰ in regard to the question of monopolies in China for possible use by concerned American officials in conversations here with representatives of the Chinese Government. There is pointed out in the memorandum the inevitable inflationary effect of the large expenditures that would be required for the purchase of properties and stocks and of the setting up of machinery necessary for the financing and functioning of monopolies at a time when every effort is being made to extend to China assistance in curbing inflation. There is also mentioned the fact that the use by China either directly or indirectly of any part of American credits for the establishment of a government monopoly in China covering a commodity prominent in the economy and export trade of the United States might cause embarrassment to the Government of the United States. In this connection it is stated that the experience of American leaf tobacco producers and exporters was that government monopolies inevitably tended to restrict imports and that such American leaf tobacco producers and exporters would be quick to criticize the Government of the United States if credits made available by it to China were used, directly or indirectly, in a manner resulting in increased restrictions on the exports of American tobacco to China. It is pointed out that such criticism would tend to place difficulties in the way of continuance of assistance by the United States to China in further constructive, possibly post-war, work. It is also pointed out that aside from the question of the inflationary effect which the establishment of the proposed monopolies would inevitably have, such monopolies would displace private agencies and enterprises which had been functioning for many years and that such displacement would subject to further strain China's economy which is already being severely tested by China's heroic war effort. It is finally suggested that in view of the fact that all of the United Nations are making every effort to streamline their activities and to subject every proposed new activity to the

⁴⁰ Not printed.

test whether such activity would contribute to the prosecution of the war there is offered for consideration the suggestion that the present time would seem most inopportune for the outlay of large sums of money and for the expenditure of considerable effort and thought in connection with the establishment of new government monopolies of the type under reference.

Notwithstanding the above, the Department considers it not desirable to adopt a too insistent attitude in regard to this matter. We intend to present our views of the matter in terms not of legal rights or of national or private economic interest but in terms of what we regard as a sound practice advantageous in the long swing to all concerned.

WELLES

393.115 Tung or Wood Oil/288

*President Roosevelt to Generalissimo Chiang Kai-shek*⁴¹

WASHINGTON, April 4, 1942.

MY DEAR GENERAL CHIANG: The recent notification which we received through the Chinese Ambassador of arrangements for completion of the repayment of the Wood Oil Loan of February 8, 1939, in advance of the schedule provided for in the contract and entirely from the receipts of the wood oil exported to this country, has caused this Government much gratification. I want you to know that we appreciate the attitude of the Chinese Government in making provision for completing repayment of the loan in question during these times when the resources of your country are being so severely taxed. The splendid tradition which is being built up by your Government in its financial relations with us is one of which we, as friends and partners of China, can be as justly proud as you must be.

Very sincerely yours,

[FRANKLIN D. ROOSEVELT]

893.51/7445 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, April 4, 1942—1 p. m.

[Received 10:15 p. m.]

348. Sale of savings deposit certificates convertible into United States dollars commences April 1. Response for 3-day period has been disappointing. In Chungking deposits approximate 10 million *fapi*

⁴¹ Sent to the Ambassador in China with instruction No. 51 of April 9 for delivery to General Chiang (393.115 Tung or Wood Oil/289).

which includes on[e] [depo]sit of 6 million. Chinese officials and bankers are not optimistic with regard to voluntary response, and public appears apathetic. Some form of pressure on Chinese holders of liquid and other forms of capital is contemplated in connection with commodity control and general mobilization administration. It is said that Chinese businessmen and prospective private investors have noted that redemption of savings deposits and bonds in United States dollars is not guaranteed by the American Government and are inclined to be skeptical of Chinese Minister of Finance with regard to fulfillment of conversion and redemption terms. The Embassy will report more fully on the situation as it develops.

GAUSS

893.51 Salt Funds/267

*Memorandum by Mr. Walter A. Adams of the Division of Far Eastern Affairs*⁴²

[WASHINGTON,] April 7, 1942.

Reference Chungking's despatch no. 279, January 19, 1942,⁴³ entitled "Chinese Government Salt Monopoly; Status of Foreign Officers of the Salt Administration; the Question of Good Faith Toward Foreign Bondholders".

In the despatch under reference Mr. Gauss stated that he did not feel that he should undertake representations in the matter without first consulting the Department.

Aside from the interest of this Government in the orderly and efficient functioning of agencies of the Chinese Government, there are two points of direct interest to this Government in connection with repeated efforts on the part of the Chinese Government to alter the organization of the Chinese Salt Administration. The first of these points is the safeguarding of the security for loans held by American citizens, and the second point—growing out of and subordinate to the first one—is the status and welfare of the American officials of the Salt Administration, whose presence and authority had a direct relation to the terms under which loans were made.

With regard to the first of the above-mentioned points, it is believed that the question of repayment of loans by China will depend mainly upon the solvency and soundness of the Chinese Government as a whole and not upon the organization of some subordinate agency of the Government. It is further believed that from now on it will be impracticable to impose upon China foreign authority in Chinese Government agencies.

⁴² Initialed by the Chief of the Division (Hamilton).

⁴³ Not printed.

With regard to the second point, Mr. R. D. Wolcott, the sole remaining American official in the Salt Administration, is understood to have tendered his resignation and to be now in the United States.

The Department, in its telegram no. 235, March 28, 2 [6] p. m., to Chungking, explained to the Embassy its attitude toward the general question of state monopolies (including salt) in China at this time.

With the foregoing considerations in mind, FE is of the opinion that no useful purpose would be served by further representations to the Chinese Government on the specific question of the Salt Administration. FE believes that the despatch under reference should be filed without action.

893.5151/890 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, April 12, 1942—midnight.

[Received April 13—3:05 a. m.]

396. Following from Adler for Fox, [care] Secretary of the Treasury.

"TF-27. 1. Chairman and Secretary of Board saw Y. C. Koo and Tai⁴⁴ of Ministry of Finance this morning. Minister not present. Zabo [Koo?] emphasized gravity of economic and financial situation, frankly admitting position desperate. He felt reduction in exchange rate to 5 cents imperative to insure sales of savings. Chairman indicated that if reduction necessary now perhaps better to make it 4 cents at once to avoid need for subsequent reduction or reductions. Tai insistent that reduction to 5 cents enough and both Koo and he pledged that Board would not be appealed to later to lower rate if sales of saving certificates and bonds lag. Meeting ended with understanding that we were to send formal letter to Board recommending lowering rate to 5 cents. All Board members except Hsi⁴⁵ agreed to act favorably.

2. Knowing your feeling on matter I saw Dr. Kung in the afternoon and raised advisability of a 4-cent rate. He told me many people including the Generalissimo [thought?] existing rate too low (1). He [said he?] would favor 4 cents because it would make Government's United States dollars go further were it not for fact that it would weaken confidence in *fapi* and that merchants and dealers would immediately mark up their prices proportionately, therefore he felt 5 cents sufficient. When I pointed out disadvantages of lowering to 5 cents now and having to resort to lowerings later, he replied

⁴⁴ Tai Ming-li, Director of Currency Department of Chinese Ministry of Finance.

⁴⁵ Hsi Te-mou.

he did not think it necessary. He indicated that it is intended to give discount on United States dollar-backed bond flotation in form of a 6-cent rate which would gradually be lowered to par to put a premium on early buying.

3. Immediately afterwards I called upon Y. C. Koo, and O. K. Yui.⁴⁶ Zabo [*Koo?*] again stressed gravity of economic situation. Circulation of *fapi* had risen from \$15,000,000,000 at end of December to 16,500,000,000 at end of February. Volume of *fapi* in circulation plus Government bank deposits increased from \$23,000,000,000 to just under 26,000,000,000 in same period. Excepting change in prices, value of *fapi* in circulation plus Government bank deposits at end of February only one-fourth of the value in July 1937. (While safe to assume what is now occupied China then accounted for more than half *fapi* and Government bank deposits, proportion is now to be reversed. On the other hand, there has been significant increase economic activity in Free China since then. Even by assuming these factors to cancel each other out above drop in value ominous.) Chungking wholesale price index, Koo continued, which rose from 2700—Institute of Wartime Economic Research January–June 1937 equals 100—at end of December to 3,000 at end of February jumped to 3,700 in March. He said that sales of saving certificates insignificant and reduction of exchange rate to 5 cents would stimulate them. Again I pointed out better to make a bigger reduction now than to tamper with exchange rate again later in order to force these sales and again Koo agreed that latter should not be done.

However, he did so half-heartedly, even invoking purchasing power parity to justify half-heartedness. In [the opinion of?] competent observers, too much confidence cannot be placed in “pledge” not to resort to further reductions to stimulate sales of government securities in case of unfavorable developments. Position of Board would then be weak since if it were reluctant to lower rate, whenever Ministry of Finance insistent that securities sales campaign would benefit by so doing, Board would be convenient scapegoat and alibi.

4. One factor in failure of savings certificates campaign which Ministry will not admit is fact that many potential investors feel government may not recompense in United States dollars when they fall due and are disappointed that certificates do not have direct guarantee of United States Treasury. Perhaps Ministry missed an opportunity in not bringing in a semi-foreign [*sic*] like [apparent omission] in which investing public would undoubtedly have greater confidence. It appears same thing is going to happen with United States dollar-backed bond issue.[”]

GAUSS

⁴⁶ Chinese Vice Ministers of Finance.

893.5151/893 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, April 18, 1942—10 a. m.

[Received 3:44 p. m.]

427. From Adler for Fox, care Secretary of the Treasury.

"TF-28. 1. Board received official communication from Minister of Finance asking for reduction in exchange rate late on the 14th. Board submitted memorandum to him on the 16th pointing out it agreed in principle to proposed change but adding:

(a) It hoped reduction would in fact contribute to increasing sales of saving certificates;

(b) unless appropriate counter measures are taken, reduction might be exploited by holders of blocked funds to move into saving certificates without any exchange [, to] retain certificates and with no resultant advantage to China;

(c) any further reduction or reductions in rate for purpose of stimulating sales of Government securities would do more harm than good.

Dr. Kung gave verbal assent to above and board will act on receiving written assent.

2. Board intends to make new official rates $5\frac{1}{16}$ United States cents and $3\frac{1}{16}$ pence at which cross rate would be 1 pound sterling equals United States dollars 4.029, and new selling rates 5 United States cents and 3 pence. Central Bank which objects to selling dollars for sterling below 3 pence because of unfavorable psychological impression it would make indicates new sterling margin may not cover telegraphic expenses. Board prefers above official rates with understanding if necessary with Central Bank that Board would make up any loss in my cable expenses to alternative of official rates of $5\frac{3}{2}$ United States cents and $3\frac{1}{16}$ pence, which with selling rate of 5 cents would involve a margin of 1.84% on United States dollar transactions.

3. Re TF-25 of April 8 [9],⁴⁷ (5), Board has received additional confirmation of destruction of its records from another employee just arrived from Hong Kong. He adds complete set of Board's minutes hidden in safe place before fall of Hong Kong. He smuggled out in form of wrapping paper balance sheet of Board's operations up to December 6 which Frese⁴⁸ completed on December 14.

4. With resumption of air mail communications, sending weekly reports to you and Dr. White.^["]⁴⁹

GAUSS

⁴⁷ Telegram No. 378, April 9, noon, not printed.

⁴⁸ Walter F. Frese, American assistant to Mr. Fox and to William H. Taylor, alternate American member of the Chinese Stabilization Board.

⁴⁹ Harry Dexter White, assistant to the Secretary of the Treasury (Morgenthau).

893.20/755

The Ambassador in China (Gauss) to the Secretary of State

No. 384

CHUNGKING, April 23, 1942.

[Received May 21.]

SIR: I have the honor to transmit, as of possible interest to the Department, a condensed translation of an article,⁵⁰ outspokenly critical of deficiencies of the Chinese war effort, which appeared in the *Ta Kung Pao*, Chungking, of April 13, 1942:

The gist of the article is as follows:

Although complete mass mobilization is essential in modern warfare and China has been at war for five years, her mobilization is still far from complete and is much behind that of other countries. The causes are the slackness of the Government and the lack of a sense of responsibility of the people.

The two most immediate problems are conscription of man-power and wealth: neither have been properly dealt with. Government monopolies of commodities do not tax the rich. Students and other influential classes have been exempted from military service. Conscription must be made universal.

It is rather surprising to find these ideas so strongly and openly advocated by a journal of the influence and general reputation for conservativeness of the *Ta Kung Pao*. It is almost exactly what the Communist *Hsin Hua Jih Pao* has been saying in a much milder way in order to circumvent the rigid censorship to which it is subjected. The Embassy believes, however, that these ideas are representative of a large body of Chinese opinion.

There has been in recent months a general criticism—usually, it is true, more implied than expressed—of the Government's failure to take more positive measures to enforce its war time economic and conscription laws, and to impose a proportionate burden on the wealthy by checking speculation and hoarding and requiring subscription to government bonds.

Hoarding, for instance, is prohibited by law and is punishable by death. But a Chinese newspaper reader cannot but gain the impression that it is universally prevalent (which is true) and is chiefly responsible for present high price levels. Likewise, almost all papers have editorialized for compulsory purchase by the well-to-do of government bonds as a measure of financial support of the war and to reduce hoarding. This attitude has been reinforced by the recent announcement and subsequent disappointing public sale of savings certificates backed by the American loan.

Monopolies have not been openly criticized (they are a part of the sacrosanct theories of Sun Yat-sen) but the news of their inaugu-

⁵⁰ Not printed.

ration has produced little enthusiasm except in the more official organs; and there have been numerous suggestions that close supervision will be necessary to avoid malpractice and corruption, while some of the privately owned papers have raised the question of the livelihood of the merchant whose business has been in goods now being monopolized.

The exemption of students from conscription has likewise not been openly criticized, probably because such exemption is a part of the "Reconstruction" which the Kuomintang and Chiang Kai-shek insist is a fundamental basis of national policy, not less important than "Resistance". Some papers, such as the military organ *Sao Tang Pao*, have editorially complained that the conscription law is not being strictly enforced, that it is possible for sons of officials and well-to-do to avoid conscription, and that the exemption of students is a loophole for shirkers. The *Ta Kung Pao*, itself, has been the leader in questioning, in a rather cautious way, whether or not "reconstruction" should not, in view of the desperate situation of the country, be considered more realistically and subordinated to the present problem of "resistance", or, winning the war.

Respectfully yours,

C. E. GAUSS

893.51/7523

*Memorandum by the Assistant Chief of the Financial Division
(Luthringer)*

[WASHINGTON,] April 24, 1942.

POSSIBLE STEPS BY THIS GOVERNMENT WHICH MIGHT CONTRIBUTE TO
THE AMELIORATION OF CHINA'S FINANCIAL DIFFICULTIES

I

Recent reports from China indicate that the monetary and financial condition of that country is going from bad to worse. I do not think that anyone in this Department who was concerned with the recent extension of \$500,000,000 of financial assistance to China ever had any illusions that any assistance which this country under existing circumstances could extend to China would do any more than retard the rate of deterioration of the Chinese fiscal and monetary position. It is probably inevitable that until such time as shipping and military considerations make possible closer economic contact between the United States and China this Government will be able to offer little or no real economic or financial assistance to China. The extent to which the problem can be solved will depend almost entirely on the ability of the Chinese Government itself to implement measures of

amelioration. So far it does not appear that that Government has given much cause for optimism in this regard.

A recent telegram from Chungking states that in the two month period from the end of December to the end of February the circulation of *fapi* and deposits in government banks had each increased about ten per cent. During the same period the Chungking wholesale price index advanced from 2,700 to 3,000.

Recent reports from Chungking mention "the shortage of currency", a characteristic and bad sign in a progressively inflationary situation. Apparently the Chinese are seeking to "correct" this condition by substitution of Chinese Government securities for the *fapi* acquired and held by the Stabilization Board against the sale of dollars. Another "corrective" measure would seem to be the putting into circulation by the Ministry of Finance of a quantity of customs gold unit notes apparently to a *fapi* value of 2,000,000,000 yuan. It is of course unlikely that the Chinese Government will be able to avoid securing the major part of its revenues from additional issues of *fapi*. I fear that the only ultimate check on this is a shortage of bank note paper referred to some months ago by Sir Otto Niemeyer⁵¹ and even this check can largely be offset by increasing the denomination of the notes.

It will be recalled that there was some hope that by using part of the financial aid from the United States as collateral the Government of China through the mechanism of dollar guaranteed savings deposits and bonds would be able to obtain some of its revenues from the savings of the people rather than from the printing press. Our reports, however, indicate that the savings deposits scheme has had very disappointing results and our Embassy is not very optimistic as to the success of the proposed special bond issue. Our Embassy has pointed out that two of the principal difficulties seem to be (a) the fact that Chinese investors do not trust their own Government to see to it that they get the dollar security which is supposed to be offered to them and (b) that the profits to be had from speculation and trade in the existing inflationary situation are so large that the supposed inducement of stability of value offered by the savings deposits appears the less attractive alternative. A further difficulty which may be shortly corrected seems to arise from the fact that the dollar secured savings deposits are purchased at the rate of 20 yuan to the dollar whereas dollars can be bought officially at 18.8 yuan to the dollar. This particular difficulty will, I believe, shortly be ironed out by lowering the official rate to 20 yuan to the dollar.

There seems to be however, considerable divergence of opinion as to the extent to which the yuan should be devalued. While it appears

⁵¹ Head of British economic mission in China.

likely that the devaluation will be only to 5 cents there is apparently on the part of Kung and some others a view that the yuan should be devalued to 4 cents were it not for the fact that a devaluation of this magnitude might accentuate the rise in prices and weaken confidence in the *fapi*. There is also some feeling that a situation may arise in which there will be strong pressure for further devaluation from time to time to stimulate the sale of the dollar backed savings deposits and bonds.

Other difficulties seem to center around the Stabilization Board of China and the exact nature of the functions which it is supposed to perform. In part these difficulties arise from what appears to be an increasing impatience of China with respect to any form of outside control. As evidences of this attitude I would cite:

1) The attitude of Soong and his Government that our recent financial aid to China was completely without conditions and control by this Government of the uses to which the funds were to be put.

2) The alleged desire of certain officials of the Chinese Government to have our freezing control lifted with respect to China.

3) The reported strong tendency in certain governmental quarters to belittle the Board and reduce its functions. This appears in part to arise from the fact that the Board has exhausted its sterling assets and there has yet been no decision by the British to replenish these assets from the sterling aid recently authorized by the British for China. Hall-Patch has made a suggestion to the British Government that this be done but so far as I know no action has been taken. It may be, however, that confusion as to the future role of the Board rather than reluctance of the British is the explanation for this situation. I understand from Mr. Cochran⁵² who obtained the information informally from Sir Frederick Phillips⁵³ that the British have indicated recently to the Chinese that they would be willing to make available funds from the 50,000,000 pound British credit for the purchase of goods in the sterling area. As I understood Mr. Cochran, this offer was made when the Chinese recently wished to purchase quinine and certain other products from India.

4) Although in the earlier stages of discussion of the use of part of the financial aid to China for dollar secured savings deposits and bonds it seemed to be generally assumed that the dollar collateral would be subject to the supervision or control of the Stabilization Board or some sort of an international group, the Chinese Government proceeded to launch the plan without requesting any specific advice from this Government and in complete disregard of any idea that the collateral would be subject to the supervision of anyone except the Chinese Ministry of Finance.

There also seems to be some question of revising the November 1 commitment of the Board to meet Chinese Governmental as well as personal and commercial demands for sterling and dollar exchange in

⁵² H. Merle Cochran, of the Board of Economic Operations.

⁵³ Of the British Purchasing Commission.

excess of the exchange accruing to China from the proceeds of imports and remittances to China. It is apparently the view of the Stabilization Board (particularly of Hall-Patch) that the Board should not undertake to supply Chinese Governmental needs for sterling or dollars. I suppose this arises in part from the existence of the British and American financial aid and a feeling that Governmental needs should be met from these rather than from the funds of the Stabilization Board of China.

II

It is probable that under the circumstances any action which this Government can take will center around advice to the Chinese Government with a view to stimulating that Government to undertake the most energetic counter inflationary measures possible within the limits of its administrative competence. It is doubtful that from this distance we can effectively advise China in detail. However the main lines along which China should proceed seem clear and have already been indicated to the Chinese Government by various advisers in China. It may be that we can stimulate China to take further action along these lines or at least indicate to that country that the solution of its difficulties will depend primarily on China itself and that the recently granted United States aid can by no means be regarded as a substitute for energetic measures on the part of China itself.

It seems highly improbable that effective steps are being taken to prevent banks in China from financing hoarding and speculative trading. A suggestion that effective measures of control in this area be adopted was made last December by Sir Otto Niemeyer. So far as I know the Chinese Government has not actually undertaken to implement these suggestions although a recent telegram reports criticism of the banks by the Generalissimo of a vigorous but not very specific nature.

It is also not clear that the Chinese Government is doing all that it could in controlling by rationing or otherwise the use of commodities essential to the war effort or has made much progress in solving problems of hoarding. It is of course unlikely that China could adopt a very effective general price control or excess profits tax, however, I have seen little indication that anything has been done to implement Sir Otto Niemeyer's suggestions that a report be made of available supplies of essential war materials and the use of such materials be controlled.

Both Sir Otto Niemeyer and Ambassador Gauss have suggested stimulation of small scale or handicraft production of necessary goods. It is doubtless highly desirable that vigorous action should be taken along these lines but as a counter inflationary measure the results will,

of course, be realized slowly. Ambassador Gauss has also suggested using part of our aid to China to finance redistribution of land in accordance with a land reform which has long been contemplated. It may be that this is highly desirable from a political point of view but it is dubious that reforms of this type should be pushed now when the budgetary position of China is so unsatisfactory.

It is possible that consideration should be given to the desirability of placing the dollars securing the savings deposits and projected bond issue in the hands of trust companies or an international group of trustees. With respect to this matter, however, it must be borne in mind that so long as China has an exchange control it will always have the power to decide the rate at which residents of China may convert dollars into yuan. This being the case it is possible that the trusteeing of the dollar collateral will not afford sufficient additional protection to appeal strongly to the Chinese people particularly in the face of the highly profitable uses to which yuan can be put in China. Moreover, China already having developed and begun to put into effect its own plan it might be politically difficult both for us to approach the Chinese Government about the matter and for China itself to make any change in the indicated direction.

III

As suggested above China has already received plenty of sound advice as to the general type of measures which are necessary. Moreover there are doubtless several competent advisers in China (e. g. Arthur Young ⁵⁴) or officials in the Chinese Government itself who are in a position to make sound detailed recommendations. The Chinese, however, apparently give little weight to the advice of Mr. Young in these matters and have obviously paid little attention to the suggestions of Sir Otto Niemeyer. To put the matter bluntly, there seems to be little chance of the Chinese Government accepting suggestions of foreign advisers so long as these for political or other reasons are difficult to implement. However the chances of making effective suggestions may be to some extent increased if the advisers have considerable force of personality and are able to establish a satisfactory working basis with the Chinese. It is regrettable that in the developing crisis the American member of the Stabilization Board should be absent. It is not my understanding that Mr. Adler, who is serving as alternate to Mr. Fox, has the stature and force to serve effectively in this capacity. It may also be noted that some months ago the Chinese Government requested a central banking expert, presumably someone with federal reserve banking experience.

⁵⁴ American adviser to the Chinese Ministry of Finance.

Last January the Treasury indicated that it was considering this request but so far as I know no action was ever taken on the matter. It may be difficult to find a suitable person, but an able and forceful person of central banking experience might be able to do some good in China at this time providing that a suitable working basis could be established between him and Mr. Fox if the latter is to return to China.⁵⁵

IV

In view of the particular relations of the Treasury Department to most of the matters discussed above, it is doubtful that the Department would at this point wish to make any direct suggestions to the Chinese Government without clearance with the Treasury. I was informed by Mr. Southard of the Treasury Department that that Department was going to give some intensive consideration this week to the reply that should be made to some of the questions raised in recent telegrams concerning the Stabilization Board and its functions. On April 22 Treasury sent Mr. Adler a telegram⁵⁶ stating that the recent cable concerning a memorandum which the Board proposed to submit to Dr. Kung is not clear and asking for Adler's evaluation of the Board's proposals. Treasury indicated that other questions might be answered later. It is possible, however, that if this Department asked Treasury to confer with it on the subject of the present financial situation of China we might stimulate a broader and more thorough consideration of the whole problem than would otherwise be the case. For such a conference I suggest the following as possible topics of discussion :

- 1) What should be the future role of the Stabilization Board of China.
- 2) Should we recommend to the Government of China that it delay bringing out the dollar secured bond issue until more satisfactory progress has been made with the savings deposit scheme.
- 3) Would it be desirable to suggest to the Chinese Government some means of putting in trusteeship the dollar collateral behind the savings deposits and proposed bond issue.
- 4) Should any general or specific suggestions be made to China along the lines of controlling speculation and hoarding and the use of bank credit to finance such activities.
- 5) The desirability of prompt return of Mr. Fox to Chungking.
- 6) The desirability of sending to China promptly the central banking expert requested by the Chinese several months ago.

⁵⁵ Notation by Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck) : "I understand Fox will return as soon as he can get plane space. A. H."

⁵⁶ Not printed.

V

Regardless of whether or not such a conference is held with the Treasury I would like to suggest for the consideration of the Department the sending of the attached telegram to Ambassador Gauss in Chungking.^{56a}

893.5151/890

Memorandum by the Chief of the Financial Division (Livesey) to the Assistant Secretary of State (Berle)

[WASHINGTON,] April 25, 1942.

MR. BERLE: Since your suggestion arising from Chungking's telegram 396 of April 12, that the Department should review the Chinese financial situation and consider whether it should take any initiative concerning it, Mr. Luthringer has prepared a memorandum under date of April 24 of which a copy is attached.⁵⁷ The original has been started toward you through FE and PA/H⁵⁸ covering a telegram to Chungking which Mr. Luthringer has drafted rather tentatively to crystallize a possible line of independent action by this Department in case such is deemed desirable to at least open up the situation more fully.

In the meantime I think you may be interested in reading the memorandum. You may have noticed Chungking's 447 of April 23⁵⁹ which has the humble status of an economic weekly report hereafter to be made in routine but which shows a rapidly worsening situation, the price indices increasing by percentages which I had better refrain from mentioning here. The index figure cited in the second paragraph of Mr. Luthringer's memorandum of yesterday is left far behind by the March figure now reported.

The little Treasury group which deals with these matters has been busy over Cuba and other questions lately but has rather expected to get busy in the next few days on China.

F. LIVESEY

^{56a} A considerable discussion over the proposed telegram ensued between the Financial Division, the Division of Far Eastern Affairs, the Adviser on Political Relations (Hornbeck), and the Assistant Secretary of State (Berle), the idea finally being shelved on May 2 by Mr. Berle (893.51/7523, 893.51/7524, 893.51/7501a). The Department ultimately made inquiry of the Embassy in the sense of this memorandum in its telegram No. 510, June 10, 7 p. m., p. 524.

⁵⁷ *Supra*.

⁵⁸ Division of Far Eastern Affairs and Adviser on Political Relations (Hornbeck), respectively.

⁵⁹ Not printed.

893.516/773

The Ambassador in China (Gauss) to the Secretary of State

No. 397

CHUNGKING, May 5, 1942.

[Received May 28.]

SIR: I have the honor to transmit herewith two memoranda⁶⁰ of conversation held by members of my staff with Mr. Solomon Adler of the Stabilization Board of China and Dr. Y. C. Koo, Vice Minister of Finance, concerning recent restrictions imposed by the Government upon the business of commercial banks in China. There is also transmitted a translation of a lecture⁶¹ delivered by the Director of the Monetary Department of the Ministry of Finance in which the new regulations are outlined and discussed.

[Here follows survey of banking history in China.]

The new regulations covering the operations of commercial banks consist largely of measures designed to limit the flow of capital into speculative activities and to divert it toward the financing of productive enterprise and the distribution of commodities. If this were accomplished, some of the burden now resting upon the Government banks would be removed and the creation of new money could be curtailed. Production would thus be increased further restricting inflationary tendencies. In as much as the Government is unable and perhaps to some extent unwilling to reduce its present level of expenditures, the increase of production and the diversion of money into productive rather than speculative purposes would appear to be the only method open for combatting inflation.

At present there appears to be in the Government a strong desire to strengthen the reserve position of the commercial banks which finds expression in certain of the new regulations. Though the aim in itself is praiseworthy, there may be a certain overemphasis on this aspect of the banking problem at a time when the entire monetary system is in danger. . . .

. . . A partial solution of the problem of inflation might lie in the drastic taxation of those most able to pay, namely speculators, hoarders and landlords, together with measures to compel these classes to buy Government bonds and savings certificates in large amounts. Such measures might have the effect of forcing these classes to disgorge hoarded goods. It is noted, however, that hoarding of foodstuffs is already legally punishable by death, but that the Government nonetheless prefers to adopt indirect means to discourage hoarding, such as the banking regulations, rather than to enforce this and similar laws. It is, on the whole, doubtful that the Government, which is

⁶⁰ Neither printed.

⁶¹ Not printed.

itself closely allied to banking and land-holding interests, will undertake to place sufficiently severe pressure upon those elements to induce any marked release of commodities and diversion of capital to the uses of the Government.

Respectfully yours,

C. E. GAUSS

893.51/7484c : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, May 7, 1942—5 p. m.

365. For Adler from the Secretary of the Treasury.

"Fox has left Washington to return to Chungking by plane. He is expected to arrive at Chungking about June 5."

HULL

893.51/7496

*Memorandum of Conversation, by the Assistant Chief of the Financial Division (Luthringer)*⁶²

[WASHINGTON,] May 21, 1942.

Participants: Sir Frederick Phillips, British Treasury Representative

Mr. H. Ashley Clarke, Chief of the Far Eastern Department of the British Foreign Office

FE, Mr. Hamilton

FD, Mr. Luthringer

Sir Frederick Phillips presented Mr. Hamilton with a copy of a draft of the financial aid agreement with China which the British propose to ask the Chinese Government to sign.⁶³ He indicated that he thought that although the Chinese Government would probably sign the agreement substantially as it stands there might be some difficulty in obtaining Chinese consent. Sir Frederick then stated that as we knew the British Government did not feel that it was in a position to offer the Chinese Government aid in such terms that the British might be presented after the conclusion of hostilities with a situation in which China would have large accumulated balances of sterling which could be presented in payment for exports of goods and services from the sterling area. Therefore the British Government had felt it necessary to stipulate that the sterling aid could be

⁶² Copy forwarded on June 9 to Harry Dexter White, Assistant to the Secretary of the Treasury.

⁶³ Not printed.

used only for Chinese purchases of exports from the sterling area during the war or as collateral for an internal issue of Chinese bonds. Sir Frederick referred specifically to a provision in the proposed agreement to the effect that Chinese sterling area purchases would be on the basis of contracts concurred in by the Government of the United Kingdom as particularly likely to encounter Chinese objection. Sir Frederick said that they wished to keep us informed on the matter and he indicated that it would be appreciated if we could use our influence with the Chinese Government to obtain their consent to the proposed agreement.

Mr. Hamilton replied that speaking for himself and without undertaking to speak for higher officers of the Department he felt that such a course would be most difficult in view of the nature of the United States financial aid agreement which was signed several months ago.⁶⁴ He then went on to say that it had been our feeling that our financial aid to China was almost entirely a political and military question and that financial considerations had been secondary. He said that the political feeling in China following the military reverses in the Far East had been such that we considered it imperative to make a gesture of aid to China as promptly as possible and of such a nature as to have the maximum political effect in China. Having signed an agreement such as we had he did not see how we could undertake to attempt to induce the Chinese to sign a more restrictive agreement with the British. Mr. Hamilton then referred to the prevalence of anti-foreign feeling in China the onus of which we shared with other foreign countries and spoke of the danger of taking any action which the Chinese might feel was motivated by considerations of self-interest or imperialism.

Mr. Clarke remarked that the proposed British agreement was far from a financial agreement of the usual type and the British felt that they had gone as far as they could within the necessities of their financial situation.

Mr. Hamilton asked Mr. Luthringer his opinion. Mr. Luthringer replied that he strongly concurred with the views Mr. Hamilton had expressed. Mr. Luthringer added that on the other hand he felt that there were great differences between the British financial position and our own and that perhaps some of the Chinese at least might appreciate these differences. Mr. Hamilton commented that he would leave such matters to the financial experts. He repeated that he wished to call attention simply to broad and important considerations of a political nature in the Far Eastern situation.

Sir Frederick then said that even though we might not be in a position to approach the Chinese on the matter he thought that if

⁶⁴ March 21 ; see bracketed note, p. 490.

the Chinese approached us much would depend upon the attitude which we took at the time. Sir Frederick asked whether the Chinese had approached us and he was informed that so far as Mr. Hamilton and Mr. Luthringer were aware no such approach had been made to this Government.

Sir Frederick also remarked that it was the feeling of the British Government that the sterling assets of the Stabilization Board of China should not be replenished from the £50,000,000 of financial aid which is the subject of the agreement under reference. He pointed out that none of the \$50,000,000 contribution of the United States to the Chinese Stabilization Fund had yet been utilized and said that he had asked Treasury whether it would object if some of these dollars were used to acquire sterling for the Stabilization Fund. He indicated that he had not yet received an answer to this inquiry.

Sir Frederick stated that this whole matter had been taken up by him with Dr. White of the Treasury Department but that he had not yet received an indication of the Treasury Department's reaction.

Mr. Hamilton said that we would, of course, be glad to refer this matter to other officers of the Department and inform the Treasury Department of Sir Frederick's and Mr. Clarke's approach to us.

893.51/7497

*Memorandum by the Assistant Chief of the Financial Division
(Luthringer) to the Chief of the Division of Far Eastern Affairs
(Hamilton)*

[WASHINGTON,] May 21, 1942.

ATTITUDE OF THIS GOVERNMENT TOWARD THE TERMS OF THE ANGLO-
CHINESE FINANCIAL AID AGREEMENT AS PROPOSED BY THE BRITISH
GOVERNMENT

MR. HAMILTON:

I

With respect to the conversation this morning with Sir Frederick Phillips and his request for our assistance in securing Chinese acquiescence to the terms of the agreement proposed by the British I have been wondering whether we might not take a position somewhat intermediate between that requested by the British and what as I understand it was our indication that we could not intervene in any way to secure Chinese acceptance of a financial aid agreement substantially less liberal than our own. As I recall Sir Frederick did remark that if the Chinese Government comes to us about the matter much would depend on the way in which we handled the situation, but I do not recall that we made any direct response to this.

I have been wondering whether we could not inform the British that (a) as indicated in our conversation with Sir Frederick we did not feel that we could take any initiative in approaching the Chinese about the matter and (b) if, however the Chinese should approach the Department on its own initiative we are prepared to take the line that we thought that this was a matter which should be settled entirely between the British Government and the Chinese Government and that the British Government itself was the best judge of what conditions must necessarily be imposed on financial assistance extended by the British to China in the light of the over-all British financial and foreign exchange position. Since, however, our opinion had been asked we thought that the Chinese Government must keep in mind that the British Government and the United States Government were in an entirely different financial situation. The gold and foreign exchange resources of the British Government had been seriously depleted by expenditures for war purposes as the Chinese Government is doubtless aware. Our program of lend-lease and other types of assistance to the British were in large part made necessary by the depletion of British foreign exchange resources. The British will end the war with their foreign exchange resources largely depleted and hence cannot undertake to the same degree as the United States to extend unconditional financial assistance to other United Nations in ways which will give the recipient of this aid very large claims to goods and services in the United Kingdom which may be presented only after the war. In the light of these considerations it would seem to us that in general the conditions imposed by the British should be regarded as arising from the financial necessities of the British situation rather than any difference in attitude toward China of the British Government and this Government.

It may be that the foregoing would go a little too far but I believe that essentially it would be a realistic and justifiable position for us to take. There is no getting around the fact that the vastly different financial situation of the sterling area and this Government does permit us to make sweeping gestures in the financial field which the British cannot afford to parallel. The British are making every effort to prevent great accumulations of sterling in hands of other countries which will one day present them in payment for British goods or services leaving the British without means of obtaining the goods and services which the British will at that time find necessary to import. From the broad point of view of post-war economic policy I believe that we also have a direct and strong interest in assisting the British to minimize the accumulation of sterling balances in the hands of persons or governments outside the sterling area. It should be noted that the British restriction on the use of the sterling which they propose to advance does not apply to sterling used to guarantee Chinese bonds

but only to that used to purchase goods and services. Moreover although we have no parallel in our agreement to the British provision that Chinese purchases must be on the basis of contracts in which the British Government concurs I am not sure that this provision is an arbitrary one. Unless some provision of this type were included the Chinese might nullify the British provision that purchases must be made during hostilities by negotiating long-term contracts. Moreover all of the sterling area countries have export controls and there must therefore be governmental approval at some point in the proceedings as to the export of specific kinds and quantities of goods to the Chinese.

II

You will recall that Sir Frederick informed us that he had put to the Treasury the suggestion that the depleted sterling balances of the Stabilization Board of China be replenished by sale of part of the dollar assets of the Board, the \$50,000,000 United States contribution to which not having yet been drawn upon at all. Sir Frederick said that he had not yet received any reply from the Treasury on this proposition. I had a feeling that our Treasury had already indicated a willingness to go along with such a suggestion. On checking back through the telegrams pertaining to the Stabilization Board I found that on May 2, 1942, telegram 344 to Chungking,⁶⁵ the Treasury Department had informed Adler that "with reference to the anticipated depletion of the sterling assets of the Board, if sterling is not available from other sources, Treasury has no objection to using its dollar assets for the purchase of sterling". For some reason not altogether clear to me our Treasury has not informed Sir Frederick of this. It may be that the particular person who talked with Sir Frederick was not aware of this message to Adler. I feel, however, that it is up to the Treasury Department rather than this Department to inform the British.

893.51/7498

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton)*⁶⁶

[WASHINGTON,] May 22, 1942.

I recommend:

- (1) That we say nothing further to the British at this time.
- (2) That, if the Chinese of their own initiative approach us in the matter, we consider in the light of then existing circumstances what reply we should make to the Chinese, keeping in mind the probable

⁶⁵ Not printed.

⁶⁶ Addressed to the Assistant Secretary of State (Berle) and the Adviser on Political Relations (Hornbeck); copy forwarded on June 9 to Harry Dexter White, Assistant to the Secretary of the Treasury.

desirability of making reply to the general effect that we of course recognize that the British foreign exchange position is different from the foreign exchange position of the United States; that the question of the terms of an agreement between the British Government and the Chinese Government is of course something to be worked out between the two Governments party to the proposed agreement; and that our principal interest, and it is a real one, is that agreements for cooperation between or among any of the allied nations be worked out amicably and harmoniously. We should of course, in my judgment, be careful not to encourage the Chinese in any anti-British feeling which they may evidence. At the same time it is believed that we should avoid appearing to be a special pleader for the British position in the matter.

(3) That I be authorized to send Dr. White of the Treasury Department a copy of this memorandum and the memorandum of May 21 covering our conversation with Sir Frederick Phillips and Mr. H. Ashley Clarke.⁶⁷

M[AXWELL] M. H[AMILTON]

893.51/7499

*Memorandum by the Assistant Secretary of State (Berle)*⁶⁸

[WASHINGTON,] May 25, 1942.

Re: Draft British Agreement for Financial Assistance to China

I concur with Dr. Hornbeck's opinion.⁶⁹ We decided at the time of the five hundred million dollar loan to China that we would not enter into a joint arrangement with the British for financing China, in view of the difference in Chinese attitude towards Britain and towards ourselves. It would follow that there is now no reason for entering deeply into the terms which the British wish to impose on the Chinese in respect of the assistance Britain is herself willing to grant.

It is perfectly true that the British financial position is not the same as our own, and that from their own point of view they are probably warranted in imposing conditions which we should feel unnecessary, or perhaps even unwise. It is also true that sterling probably has less immediate advantages to the Chinese at this time.

It would follow that Dr. Hornbeck's suggestion, namely, that we do not enter too deeply into the matter except to bring to the attention

⁶⁷ On May 23 Mr. Hornbeck indicated his concurrence and stated: "In case anything further should be said to the British, it would be my recommendation that they be advised to be liberal and be cautious: the Chinese are becoming constantly more impatient of British attitude, methods and performance."

⁶⁸ Noted by the Secretary of State.

⁶⁹ See footnote 67, above.

of the British the feelings of the Chinese, is probably the best policy.

I believe the copies of the relevant documents should be forwarded to the Treasury for their information. If the position outlined is taken, I should not expect that there will be any reason for the Treasury to intervene in the matter. They may, however, wish to express a view to us.

A[DOLF] A. B[ERLE], JR.

893.51/7487 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, May 26, 1942—11 a. m.

[Received 3 : 10 p. m.]

605. For Secretary of the Treasury from Fox.

"TF-40. 1. Arrived Chungking May 25.

2. First impression is that economic situation gravely deteriorated in the last 4 months. Shall report at length in near future.⁷⁰

3. In brief conference this morning Doctor Kung informed he had certain problems involving Treasury he would take up with me at early opportunity.

4. Have learned Hsi Te-mou⁷¹ leaving for Washington at the end of this week. He informed me Doctor Kung is sending him to take up certain matters with T. V. Soong but according to other sources he is going to represent Central Bank."

GAUSS

893.51/7491 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, June 3, 1942—3 p. m.

[Received June 3—12 : 25 p. m.]

655. For Secretary of the Treasury from Fox.

TF-43. In hour conference with Generalissimo on June 2 he expressed appreciation for American financial assistance to China as had Dr. Kung previously.

2. Learn from Hsi Te-mou his trip to the United States indefinitely postponed. [Fox.]

GAUSS

⁷⁰ For draft of Mr. Fox's report, submitted by Mr. Adler after the death of Mr. Fox, see telegram No. 841, July 15, from Ambassador Gauss, p. 530.

⁷¹ Representative of Chinese Ministry of Finance and the Central Bank of China, designated for a mission to the United States.

893.51/7501a : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, June 10, 1942—7 p. m.

510. 1. The Department has received the general impression that despite the recent financial aid extended by the United States to China the monetary and fiscal situation of China is continuing to deteriorate. The Department also has the feeling that China, itself, as indicated in your despatch 384 of April 23, is perhaps not taking as energetic steps of a counter inflationary nature as might be practicable. Specifically has China ever taken any steps to implement such suggestions as those contained in points no. (1), (3) and (4) in the memorandum prepared by Sir Otto Niemeyer which was handed to you on December 20 by the British Ambassador? (Your despatch no. 261, December 31, 1941).⁷²

2. If such steps have been undertaken do you think that China is doing along these lines whatever may be feasible or reasonably expected?

3. The Department would be glad to receive your suggestions or views as to any measures of rationing, price control; stimulation of production, or control of bank credit which China might appropriately adopt.

4. Do you know whether the Chinese Government continues to be interested in obtaining a central banking expert from this country and have you any views as to the desirability of sending such a person to China promptly if a person with the proper qualifications can be obtained? Do not make any special inquiry of the Chinese Government on this point.

HULL

893 51/7502 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, June 22, 1942—1 p. m.

[Received 6:54 p. m.]

732. Your 510, June 10, 7 p. m. It is true the monetary and economic situation in China continues to deteriorate. In connection with failure of American credit favorably to influence situation, reference is made to despatch No. 266 of January 8.⁷³

In April currency circulation totaled 18,500,000,000, thirteen times

⁷² Not printed; the points under reference related to the desirability of the Chinese Government taking steps to ration critical war materials, organize and encourage domestic hand work production, and establish control over private bank credit and rates of interest.

⁷³ *Ante*, p. 425.

prewar figure. Present rate of issue about 800,000,000 monthly. In June last year circulation was about 10,500,000,000 while in January this year it was close to 15,000,000,000.

Government expenditures to date are said to be within budget estimate of 17,000,000,000 for the year. Tax revenues have shown improvement and it is estimated will reach 6,000,000,000 or 7,000,000,000, including land tax in kind.

Wholesale price index Chungking in April reached roughly 4,300 against 2,400 last December and 1,400 in June last year. Base figure is 100 for first half 1937.

So far only use of American loan has been as backing for issues of American dollar bonds and savings certificates. It was hoped that sale of these securities would retard inflation but so far sale[s] have been too small to affect situation. Several reasons have been given for limited demand, including failure to place the American dollar security in trust fund, large profits to be had from speculative ventures, suspicion that ultimate holders of American dollar credits will be subject to Chinese Government controls on foreign trade and exchange transactions and failure to place any time-limit on availability of bonds at present advantageous exchange rate. Action could be taken to remove some of these criticism[s].

Some measures similar to those recommended in Niemeyer memo⁷⁴ have been undertaken. Gasoline is being rationed and private stocks requisitioned. Inventories of some essential commodities are being undertaken.

A credit of 100,000,000 Chinese dollars will probably be granted to the industrial cooperatives, but government encouragement to small-scale productive enterprises is halfhearted. Increased production of consumer goods should be undertaken.

Hoarding and speculation continue practically unchecked. Chinese legislation in these fields is ineffective as well as with regard to price control and national mobilization in general. Enforcement is not in expert or competent hands. The fact is China has not reached a standard of administration organization and efficiency permitting of national demobilization and controls required for a war economy. It is also a fact that landlords and bankers have considerable influence in the Kuomintang and Government with the result that measures against their interests are in large degree opposed or made ineffective.

From July 1 Central Bank is to take over the note issue of other Government banks. By this action it is hoped to check currency inflation through stricter control of note issues. Regulations for control bank credit have been adopted but interest rates have not been subjected to control. Restriction on speculative activities of private

⁷⁴ See telegram No. 516, December 21, 1941, 10 a. m., from the Ambassador in China, *Foreign Relations*, 1941, vol. v, p. 766.

banks and cash shops should be undertaken but would be difficult of enforcement.

Competent observers commenting on economic situation point out social and political dangers from inflation tend to be less in this country than in more highly organized countries since over 75 percent of economy is agricultural and hence less sensitive to monetary difficulties. They admit, however, the situation is becoming more serious; but it seems to be general feelings, shared by Embassy, that China will continue for some time at least to get along as it has in the past using half measures avoiding collapse. The promise of bumper crops this year following good harvest last year is more encouraging than government activity.

No interest in a central banking expert has been expressed recently and no action should be taken except in response to an official request from Chinese Government.

It is assumed that the Department sees the weekly reports which Embassy has encouraged Adler to send through the Department to Treasury. They contain current information in regard to many of matters discussed above.

Embassy does not believe there are practicable measures that we could take to improve economic situation in China at this time and has impression that the Chinese do not expect or desire further assistance or advice from us now.

GAUSS

893.51/7502 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, June 24, 1942—10 p. m.

553. Your 732, June 22, 1 p. m. The Department has found your telegram very helpful. Although it sees and studies with care the weekly reports from Adler for the Treasury it nevertheless would consider it very helpful to receive the Embassy's own views and analytical comments on these matters from time to time. It is of course not necessary for the Embassy to duplicate the factual aspects of Adler's reports.

HULL

893.51/7505 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, June 30, 1942—noon.

[Received June 30—10:23 a. m.]

778. With the death of Dr. Fox, there is no American member of the Stabilization Board, Adler having served only as alternative for

Fox and having now no legal status with the Board. It would seem to the Embassy to be desirable that the Secretary of the Treasury take steps as soon as possible to provide for an American member on the Board which while not very active at the present time nevertheless does have problems for solution in which American people should have its voice. Might I suggest that Adler, who is thoroughly familiar with the operations of the Board, be nominated to serve at least as the interim American member, retaining, however, his Treasury status. It is my understanding that Dr. Fox was the only member of the Board who received compensation from the Board. The British member being an officer of the British Government drew no compensation from the Board while no action was ever taken to provide compensation for the Chinese members. I suggest, therefore, that Adler continue to draw his salary from the Treasury Department making it unnecessary to ask for compensation for him from the Board.

GAUSS

893.51/7506 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, June 30, 1942—1 p. m.

[Received June 30—12:45 p. m.]

779. Following for the Secretary of the Treasury from Adler.

TF-46. Dr. Kung sent for me on June 29 and informed me he would like to consult you on the following question.

The Central Bank of China still owes the United States stabilization fund between United States dollars 19 to 20,000,000 of the approximately United States dollars 48,000,000 credit it received in 1937.⁷⁵ This credit was fully secured by gold purchased by Dr. Kung from the Treasury on your advice in that year. He informed me that on several occasions in the past he was advised to use this gold on which he was earning no interest to liquidate in its entirety this debt on which he was paying interest. But he was and still is reluctant to part with all the gold purchased on your advice because he appreciated the spirit of your advice and regarded China's retaining some gold on earmark in the United States as a symbol of good will between the Ministry of Finance and the Treasury. However, it is not easy at this time for the Central Bank to raise the United States dollars 19 to 20,000,000 to pay off the debt from other sources. He could, of course, use the remaining Chinese gold held in the United States

⁷⁵ See Treasury Department press release of July 9, 1937, and memorandum of July 12 by the President of the Export-Import Bank of Washington, *Foreign Relations*, 1937, vol. iv, pp. 611 and 612, respectively.

for this purpose. But the alternative he would prefer would be for the Treasury to advance another approximately United States dollars 19,000,000 from the United States dollars 500,000,000 loan to China to enable him to clear the debt. He would appreciate learning your reaction to this proposal.

The net effect of the transaction contemplated by Dr. Kung would be that China would pay off the debt to the United States stabilization fund with the gold it now holds in the United States and would acquire an equivalent amount of gold with an advance from the United States dollars 500,000,000 loan. [Adler.]

GAUSS

893.51/7509a : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, July 1, 1942—7 p. m.

576. For Dr. H. H. Kung, Minister of Finance from Henry Morgenthau, Jr., Secretary of the Treasury.

The passing of Mr. Fox has deprived both China and the United States of a devoted and wise public servant. Until a permanent successor is appointed and in view of the fact that Mr. William Taylor, the American Alternate, is being held by the Japanese in Hong Kong, I would like to suggest that China appoint an Acting Alternate to perform the duties and obligations conferred on the American Member of the Stabilization Board by the April 1st Agreement.⁷⁶

If this procedure is satisfactory to you, I would like to recommend Mr. Solomon Adler, who is at present in Chungking and who was Acting American Member of the Stabilization Board during the late Mr. Fox's return to the United States. His long experience with the United States Treasury and his recent activities in China make him eminently qualified for the position.

I trust this cable finds you in good health. [Morgenthau.]

HULL

893.51/7510 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 6, 1942—1 p. m.

[Received July 7—1:48 p. m.]

796. Following from Dr. Kung for the Secretary of the Treasury refers to Department's No. 576, July 1, 7 p. m.

"Your telegram dated July 1, 1942, Washington, is just received through the courtesy of Ambassador Gauss.

⁷⁶ Signed at Washington, April 1, 1941, by T. V. Soong and Kan Lee for China and Henry Morgenthau, Jr., for the United States.

I much appreciate and agree with your suggestion that in view of the passing of Mr. Fox and the Japanese detention of Mr. William Taylor, the American alternate, in Hong Kong an acting alternate be appointed to perform the duties and obligations of the American member of the Stabilization Board.

I am equally gratified that you recommend Mr. S. Adler who during the late Mr. Fox's visit to the United States had proved his ability as acting American member in cooperating with other members of the board.

I am therefore, happy to appoint Mr. S. Adler as the acting American alternate member of the Stabilization Board.

I trust this will find you in the best of health."

GAUSS

893.5151/897 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 6, 1942—3 p. m.

[Received July 6—1:50 p. m.]

798. Following for Secretary of Treasury from Adler:

TF-47. Chairman of Board informs me Dr. Kung wrote to board on July 1 that:

1. He duly notes contents of memorandum submitted to him by Board April 16 with respect to proposed reduction in exchange rate to United States 5 cents. (This memorandum was summarized in 1 of TF-28, April 17 [18]."

2. He suggests that the official rate be changed to United States 5 cents as of July 10.

Chairman has called meeting of Board for July 8 which will presumably act favorably on this suggestion. Chairman asks me to notify you that his regret that Board has to take action on exchange rate without American representation was tempered by fact that Treasury did not object to proposed reduction in April. [Adler.]

GAUSS

893.5151/898 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 8, 1942—5 p. m.

[Received July 9—4:44 a. m.]

813. For Secretary of Treasury from Adler.

TF-49. Board at meeting today, which chairman invited me to attend as observer, decided to change its official rate for Chinese national currency to $5\frac{1}{16}$ United States cents and $3\frac{3}{64}$ pence to be effec-

" Telegram No. 427, April 18, 10 a. m., p. 507.

tive as from the opening of business July 10. Banks selling rate will be 5 United States cents and 3 pence. [Adler.]

GAUSS

893.51/7513: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 15, 1942—9 a. m.

[Received July 16—5:16 a. m.]

841. TF-50. To Secretary of the Treasury from Adler. At the time of his death Mr. Fox was working on economic report mentioned in (1) of TF-40 of May 26.⁷⁸ Following is write-up of draft he left.

(1) Conclusion. Economic situation has worsened since beginning of 1942. From January to May prices rose and note issue expanded at about the same rates as in last 5 months of 1941. Both revenues and expenditures are running at higher levels than last year, and while revenue side improved as a result of land tax, Government still has to rely on issue to cover two-thirds of current expenditures. Apart from beneficial psychological effects American loan has thus far contributed little to meeting China's financial problems. Gravity of economic situation to some extent relieved by favorable prospects for 1942 harvest.

2. Prices. According to official data, Chungking general wholesale price level for May was 4790 and the retail 4300 (January-June 1937 equals 100). Increase since January 50-60 percent or about the same as between August and December 1941. Wholesale price of [apparent omission] in May 32 [apparent omission] retail 3940, retail jumping 80% from January to May or more than double increase of preceding 5 months. Price movements in cities outside Chungking parallel those in Chungking with considerable local divergencies. Rate of increase in prices has not accelerated in 1942 in the face of cutting off of foreign sources of supply and continued solely on expansion of note issue to finance deficits.

In spite of commodity administration national mobilization program and recent plans to control food prices, satisfactory mechanisms for prices control have not yet been established nor has any real progress been made toward their establishment. Definite tendency for greater resort to barter forms now evident.

3. Note issue in May CN dollars 20,032 million with 25% more than in January; increase from August to December 1941 27%. Prices are rising twice as fast as note issue.

⁷⁸ Telegram No. 605, May 26, 11 a. m., p. 523.

4. Budgetary situation. Expenditures January–May CN dollars 7570 million or promiscuously [*approximately?*] 44% of estimates for the year and 80% of net expenditures 1941. Military expenditures insofar as assignable 62–66 of total. Revenue from taxes administration, et cetera, CN dollars 2359 million or about 30% of estimate for year and of current expenditures and nearly 80% above total revenues for 1941. Institution of land tax in kind and valuation of collections at CN dollars 100 per picul accounts for almost half 1942 revenues.

Current deficit of CN 5212 million met almost entirely by Government bank advances to Government against which they take up or hypothecate Government securities serving as backing for further issue of legal tender. Dark side of fiscal picture continues to be Government's inability to induce public to purchase its securities voluntarily on significant scale. Net sale of United States dollar-backed securities from April 1 to May 31 under Chinese national dollars 75 million. While certain improvements in terms and methods of their issue might have helped somewhat, it was Mr. Fox's considered opinion they would not have made appreciable difference. Thus loan has not been of much value in ameliorating fiscal situation so far. In this connection there has been recently some discussion of advisability of using American loan to finance import of gold and establishing free gold market to sop up *fapi*.

5. Public debt. On December 31, 1941 (?) internal debt incurred in sterling, United States dollars, and custom gold units totaled equivalent of CN dollars 5.5 billion at present rate of exchange. Loans of 4 Government banks to the Government totaled CN dollars 16.2 billion, constituting 80% of all their loans and apparently 90% of the internal *fapi* debt.

6. Industrial production—on basis of incomplete and inadequate data—appears to have maintained itself in first quarter of 1942. Production of minerals for export and fuels somewhat higher than in first quarter of 1941, but shortage of imported materials and parts becoming apparent in manufacture.

7. Agriculture. Harvest prospects this year encouraging. Wheat crop estimated at 222,000,000 piculs (one picul equals 110 pounds), while preliminary estimates for all important rice crop are 85–90% of 1931–40 average. In agricultural country such as China favorable harvest prospects should help relieve immediate anxiety about admittedly grave economic situation.

Government expects to raise 43,000,000 piculs of cereals—or almost double 1941–42 collections through land tax—and 33,000,000 piculs—about the same as last year's purchases—through compulsory

purchases with which to feed army and civil servants and meet local food shortages. [Adler.]

GAUSS

893.51/7506 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, July 16, 1942—8 p. m.

638. For Adler from Secretary Morgenthau. Your cable of June 30, 1942, No. TF-46,⁷⁹ regarding 1937 arrangement.

Please advise Dr. Kung that the Treasury is glad to cooperate with him in liquidating the debt owed by the Central Bank of China to the U. S. Stabilization Fund amounting to approximately \$19 million. The Treasury fully appreciates and understands Dr. Kung's desire that China have earmarked gold in the United States as a symbol of goodwill between the Ministry of Finance and the Treasury.

Since the 1937 arrangement and the 1942 financial aid agreement stem from different statutory provisions, and in order that the record will be unquestionable that the 1937 arrangement will have been liquidated without recourse to other sources of financial aid, it is suggested that China use the gold now being held as collateral in the Federal Reserve Bank to repurchase the outstanding yuan purchased by the United States under the 1937 arrangement amounting to approximately \$19 million. The gold being held as collateral in the Federal Reserve Bank, New York, is more than sufficient to repurchase the outstanding yuan. If China agrees to repurchase the outstanding yuan with the gold being held as collateral, there will be a balance of a small amount of gold plus a very small amount of dollars. The Treasury believes that this procedure is definitely in the interests of China from the point of view of maintaining China's splendid record.

The Treasury is, of course, ready to consider sympathetically selling an equivalent amount of gold to China for dollars made available to China under the \$500,000,000 financial aid agreement.

HULL

893.51/7632

The Ambassador in China (Gauss) to the Secretary of State

No. 544

CHUNGKING, July 27, 1942.

[Received September 1.]

SIR: I have the honor to enclose for the Department's information a translation of an editorial from the *Ta Kung Pao* of July 10, 1942,⁸⁰

⁷⁹ Telegram No. 779, June 30, 1 p. m., p. 527.

⁸⁰ Not printed.

entitled "How to Make Use of British and American Loans for Solving China's Present Economic Difficulties".

The editorial presents a summary of discussion at a round table conference of the Economic Research Department of the Central Bank of China according to which the problems confronting China today are (1) lack of materials and (2) inflation. The conference made the following five recommendations to meet the problem of inflation, four of which hinge upon the use of the British and American Loans and all of which have as their goal the withdrawal of currency from circulation in order to check inflation: (1) increase of the sales of gold bonds and gold savings certificates; (2) sale of gold by the Government; (3) widening of the scope of foreign exchange transactions; (4) issuance of industrial bonds backed by United States currency; and (5) issuance of investment and credit bonds in Chinese currency. It should be noted that at the last report only CNC\$70,000,000 of the Savings Certificates and CNC\$10,000,000 of the Victory Bonds issued against the backing of the American loan had been sold.

Respectfully yours,

C. E. GAUSS

893.51/7517 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 31, 1942—10 a. m.

[Received August 1—1:58 p. m.]

891. For Secretary of the Treasury from Currie.⁸¹ Hall-Patch, who would personally welcome Adler's functioning on Stabilization Board, insists that your recommendation is not in accordance with article 2 of Sino-American Agreement of April 1, 1941, and that he cannot function on Board in this capacity. Hall-Patch also feels certain that your recommendation is at variance with Dr. Kung's appointment of Adler as acting member on July 17 (mentioned in Adler's TF-51 of July 20⁸² which would be acceptable to British if confirmed by you. As Chairman most reluctant to call Board meetings without American participation, Board's business is being held up. In view of Adler's good record Chungking, your confirmation of Dr. Kung's action of July 17 appears advisable to get out of existing impasse. [Currie.]

GAUSS

⁸¹ Lauchlin Currie, Administrative Assistant to President Roosevelt on a special mission to China.

⁸² Not printed.

893.5151/899 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 31, 1942—2 p. m.

[Received July 31—10:47 a. m.]

893. For Secretary of the Treasury from Currie. Have indicated informally to Dr. Kung the growing resentment of our diplomatic and military and charitable organizations over declining purchasing power of United States dollar in China. Raised the question of leaving official rate as is but giving special rate for special purposes. It would be helpful if you make inquiry of Adler here as to what, if anything, is being considered to meet the situation and ask what rate of exchange would restore purchasing power of United States dollar in China to that of one year, [or] two years ago. [Currie.]

GAUSS

893.5151/900 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, August 5, 1942—5 p. m.

700. For Adler from Secretary of the Treasury. Mr. Currie in cable dated July 31, 1942⁸³ has informed me that he has indicated informally to Dr. Kung the growing resentment of United States diplomatic, military and charitable organizations over the declining purchasing power of the U. S. dollar in China. Mr. Currie says that he has raised the question of leaving the official rate as is but giving special rates for special purposes.

Please send all information available regarding the following matters: (a) What rate of exchange in your opinion would approximate purchasing power of the U. S. dollar in China to that of one year or two years ago; (b) Are there significant differences between the purchasing power of the U. S. dollar in Chungking and its purchasing power in other areas in Free China where Americans reside; and (c) What, if anything, is being considered to meet the situation outlined by Mr. Currie.

We also would like to have your views on Mr. Currie's proposal and as to whether you feel this matter should be raised with the Chinese Government at this time. [Morgenthau.]

HULL

⁸³ *Supra.*

893.51/7517 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, August 7, 1942—2 p. m.

707. From the Secretary of the Treasury for Adler. Your 891, July 31, 10 a. m. from Currie informs us that Hall-Patch insists that Treasury recommendation of you is not in accordance with Sino-American Agreement and that you cannot function on the Board in that capacity and that Treasury recommendation is at variance with Dr. Kung's appointment of you as acting member on July 17. It is not clear to us here why Hall-Patch is passing on any of these matters since they involve exclusively matters between China and the United States under the Sino-American Agreement of April 1, 1941 and the title to be accorded to the American representative on the Board. We are satisfied that our recommendation to Dr. Kung to designate you as "acting alternate member" and Dr. Kung's acceptance of that recommendation, as indicated in telegram from Dr. Kung to Secretary of Treasury dated July 6 and sent through Gauss No. 796, make entirely legal your acting as the American representative on the Board and that there is no reason for Board meetings to be postponed or the Board's business held up by reason of the title of your designation. Kindly bring the foregoing to the attention of Dr. Kung and Dr. Chen⁸⁴ and if you are still having difficulties please inform us as to the nature thereof. [Morgenthau.]

HULL

693.002/1154

*Memorandum by the Third Secretary of Embassy in China (Sproue) to the Ambassador in China (Gauss)*⁸⁵

[CHUNGKING,] August 12, 1942.

Subject: War-time Regulations Governing Imports and Exports.

During a call this afternoon on Mr. Rouse of the Chinese Maritime Customs concerning another matter I took the opportunity of inquiring about the recently announced regulations governing imports and exports. Mr. Rouse stated that to all intents and purposes unlimited trade between Free China and the occupied areas was now permitted under the regulations, that the Government recognized the impossibility of preventing such trade, that Free China was greatly in need of various articles produced in the occupied areas or in Japan and that the Chinese Government sanctioned the trade as a means of ob-

⁸⁴ K. P. Chen, Stabilization Board chairman.⁸⁵ Copy transmitted to the Department by the Ambassador in China in his despatch No. 580, August 18; received September 10.

taining the commodities desired and as a means of revenue which would otherwise be lost because of smuggling. Mr. Rouse was of the opinion that regardless of what articles were on the prohibited list, such as wood oil, they would continue to be exported to the occupied areas.

PHILIP D. SPROUSE

893.5151/900 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, August 18, 1942—9 a. m.

[Received 8 p. m.]

947. TF-53 to Secretary of the Treasury from Adler regarding your 700 of August 5.

(a) Forty *fapi* to one United States dollar is the rate of exchange which would roughly—very roughly—approximate the purchasing power of the United States dollar in China to that of a year ago. While Chungking wholesale and retail price indices have just about trebled in the last 12 months, neither is a satisfactory measure of the precise amplitude of price movements in general, let alone of those price movements most relevant for assessing changes in the cost of living of foreigners. It is the consensus of opinion among Americans here that their money goes about half as far as it did a year ago. Thus both United States Government officials and missionaries find their living expenses doubled, while charitable organizations spending twice as much money as they did last year find it hardly goes any further. (Americans affected include about 30 Government officials, 1000 soldiers, 500 missionaries, et cetera, and a handful of journalists and businessmen.)

A precise computation of purchasing power parity would have little point in view of the nature of Chinese price data and of the absence of foreign trade.

(b) The differences between the purchasing power of the United States dollar in Chungking and in other areas where Americans reside are not particularly significant.

(c) There has been some talk of reciprocal Lend-Lease or some equivalent measures to meet the living expenses of the United States Army in China but so far it has been only talk.

(d) Dr. Currie's proposal is the most reasonable in the circumstances:

1. The minimum readjustment of the official rate of exchange such as would bring the purchasing power of the United States dollar back to or near its level of a year ago would have to be so radical as to

seriously undermine internal confidence in the *fapi* at a time when such confidence is already none too strong. Such a readjustment would be the more indefensible in the absence of foreign trade.

2. Reciprocal Lend-Lease would of course help United States Army but would leave other Americans unaffected.

(e) I gather from informal conversation with Dr. Kung that the Chinese Government is strongly opposed to special rates of exchange. Nevertheless no harm would ensue and some good might [come?] from raising the question officially as it would probably hasten the Chinese Government's adopting some form of reciprocal Lend-Lease in addition to giving more force to the next representation on the question of exchange rate or rates. [Adler.]

GAUSS

893.5151/900 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, September 14, 1942—10 p. m.

834. For Adler from the Secretary of the Treasury.

Part I. Your cable, August 18, TF-53,⁸⁶ regarding special exchange rates for special purposes. Before Treasury considers this question further, please prepare as comprehensive a study as possible of the magnitude of foreign exchange transactions in Free China, particularly in U. S. dollars, with special reference to the various categories of expenditures, i. e. foreign trade, U. S. soldiers, missionaries.

Part II. Please send us the latest information which you have on the following matters. It is not desired that you make inquiries on these subjects but merely forward to Treasury latest information available to you.

(a) The position of the Ministry of Finance on the 1937 stabilization arrangement and specifically, reaction of the Ministry of Finance to the proposal contained in our cable of July 16 to you.⁸⁷

(b) What action, if any, has been taken by the Chinese Government regarding investment in U. S. bonds or other Treasury paper of \$200 million of the \$500 million U. S. financial aid held by the Central Bank of China in two new special accounts at the Federal Reserve Bank of New York? On May 16, the Central Bank cabled the Federal asking them for their views and advice as to the possibility of investing a portion or whole of the \$200 million in their special accounts in gilt-edge securities such as Government bonds or Treasury bills in order to earn some interest. The Federal, in cable dated May

⁸⁶ *Supra.*

⁸⁷ Telegram No. 638, July 16, 8 p. m., p. 532.

19, advised the Central Bank that they believed that U. S. certificates of indebtedness or U. S. Treasury bills were best suited for the investment of funds of the type in the Central Bank's two new accounts. Nothing further has been heard from the Central Bank regarding this matter. [Morgenthau.]

HULL

893.5151/902 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, September 21, 1942—5 p. m.

[Received September 22—8:20 p. m.]

1076. From Adler for the Secretary of Treasury.

TF-59. Your 834 of September 14.

Re I. Preparing study and shall forward it in near future.

Re II (a). Minister of Finance's reaction to proposal contained in your cable of July 16⁸⁸ was obviously favorable. He indicated in July that he would like to pay off credit before next interest payment fell due.

Re II (b). To best of my knowledge no action has yet been taken by Chinese Government. My impression is that Minister of Finance would still prefer to invest in War Savings bonds but is chary of possible reactions in Washington. [Adler.]

GAUSS

893.51/7641a : Telegram

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

WASHINGTON, October 7, 1942—8 p. m.

930. For Dr. H. H. Kung, Minister of Finance from Henry Morgenthau, Secretary of the Treasury. Dr. William H. Taylor has returned to the United States from Hong Kong and has resigned his position as alternate American member of the Stabilization Board as of September 30, 1942. In view of these facts, I would like to recommend that Mr. Solomon Adler, who is at present acting alternate American member of the Stabilization Board, be appointed alternate American member of the Stabilization Board at the same salary which the previous alternate was paid. Until an American member is appointed, Mr. Adler could function as the acting American member of the Stabilization Board. [Morgenthau.]

WELLES

⁸⁸ Telegram No. 638, p. 532.

893.51/7640 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, October 8, 1942—9 a. m.

[Received October 9—1:25 p. m.]

1147. For the Secretary of the Treasury from Adler.

TF-63. Had an informal conversation with Dr. Kung covering work of Board, current economic situation, and Sino-American financial relations.

1. Re work of Board, Dr. Kung expressed the hope that we were adopting as lenient a policy as possible in granting exchange for commercial imports.

I answered in the affirmative, pointing out that amounts involved were very small, as the only routes from India were by air and via Tibet. He raised possibility of Board's granting exchange for commercial imports from Russia which is accepting United States dollars for its exports to China. I indicated Board was only too anxious to facilitate imports into China and was sure it would be willing to investigate this possibility. Before Board formally takes up the question, therefore, I should appreciate your letting me know whether you approve in principle the Board's granting United States dollars exchange for commercial imports from Russia.

2. Re current economic situation, Dr. Kung agreed China's main problem now not military or political but economic.

(a) He felt drastic budgetary curtailment was essential. (In this connection, Dr. T. F. Tsiang, head of the Political Department of the Executive Yuan, informed me yesterday that cuts in expenditures to the extent of 6% to 8% could and should be made in the draft 1943 budget the Executive Yuan was now working on.[])

(b) He was inclined to think universal price ceiling scheme impractical in China.

(c) In order to mop up *fapi* in pleasing of public, he was considering establishing a free gold market and reducing the maturity periods of the various United States dollar-backed securities the Chinese Government has issued.

3. Re Sino-American financial relations, Dr. Kung indicated that in accordance with his promise to consult you on the uses of the American loan to China, he would take no action on 2 (c) above until he had officially consulted you, which he intended doing shortly.

The amount of gold Dr. Kung is contemplating using for internal sale is about United States dollars 20,000,000 or roughly that amount, he informed me, as he had just repaid the Treasury in settlement of 1937 stabilization arrangement. Once he had obtained your consent he would purchase in such event gold from the Treasury—presumably with funds from the 1942 American loan.

He then raised the question referred to in part II (b) of your 834 of September 14, again indicating he intended officially consulting you on the matter in the near future before taking action.

(b) Finally Dr. Kung brought up the difficulties foreigners were experiencing as a result of rising prices. He was particularly anxious to alleviate the lot of the United States Army. The only special exchange rate he appeared to be considering was one for the United States currency the United States Army in China is in receipt of. [Adler.]

GAUSS

893.51/7643 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, October 15, 1942—9 a. m.

[Received 2:05 p. m.]

1186. Reference your 930 of October 7, 8 p. m. Following for the Secretary of the Treasury from Kung.

“Your message October 7 through Ambassador Gauss received with thanks. Please extend to Doctor Taylor my greetings on his safe arrival in the United States from Hong Kong and my regret that he has resigned his position as alternate member of Stabilization Board as of September 30, 1942. In view of this development I am gratified that you recommend Mr. Solomon Adler, the acting alternate American member of the Stabilization Board, be appointed alternate American member of the Board at the same salary as paid to the previous alternate, until an American member be appointed. I am therefore happy to appoint Mr. Adler as the alternate American member of the Stabilization Board. With kind regards, H. H. Kung”.

GAUSS

893.5151/900 Suppl. : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, October 24, 1942—11 a. m.

987. For Adler from the Secretary of the Treasury. Reference is made to our cable No. 834, dated September 14, 1942, requesting study of magnitude of foreign exchange transactions in Free China. Treasury is anxiously awaiting this study and would be pleased to receive the information as soon as possible. The Treasury would also appreciate receiving in the immediate future your preliminary findings and views on this problem, and will treat and consider them as preliminary. [Morgenthau.]

HULL

893.51/7644 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

[Extract]

CHUNGKING, October 24, 1942—9 a. m.

[Received 7:09 p. m.]

1216. From Adler for Secretary of the Treasury.

TF-64. Weekly Economic.

2. Dr. Kung has asked me informally to raise question of Chinese Government purchasing United States dollars 20 million of gold from United States Treasury with funds from the American loan. Such purchase is contemplated, subject to Treasury, consent independently of whether or not scheme for a free gold market mentioned in 2 and 3(a) of TF-63 of October 8⁸⁹ is adopted. With respect to this scheme Dr. Kung informed me Generalissimo has still not consented to it on ground that some of the gold may reach enemy hands. [Morgenthau.]

GAUSS

893.5151/903 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, October 28, 1942—3 p. m.

[Received October 29—10:27 a. m.]

1235. For the Secretary of the Treasury from Adler.

TF-66. Regarding part I of your 834 of September 14, and your 987 of October 24. Study of magnitude of foreign exchange transactions in free China in current year most difficult in view of insufficiency and inadequacy data. Data for United States dollar transactions though fragmentary more accessible than for sterling transactions. Certain data—indicated below⁹⁰—are more easily obtainable in Washington than in Chungking. Following is a summary of preliminary study of magnitude of United States dollar transactions for 1942; any procurable data on sterling will be forwarded if and when obtainable. [Adler.]

GAUSS

⁸⁹ Telegram No. 1147, October 8, 9 a. m., p. 539.⁹⁰ Telegram No. 1236, *infra*.

893.5151/904 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, October 28, 1942—4 p. m.

[Received October 29—2:01 p. m.]

1236. For the Secretary of the Treasury from Adler. Section 2, continuing TF-66A [66?].⁹¹ Preliminary findings.

1. China's United States dollar in payments should total around United States 40,000,000 dollars in 1942 (all figures except if otherwise indicated in United States dollars). Her out payments should approximate \$35,000,000.

2. *Fapi* at present exchange rate clearly overvalued. Since July 1941 prices in Chungking have more than trebled. Rate of one *fapi* equals United States cents $1\frac{1}{4}$ — $2\frac{1}{2}$ would be much more equitable whether in terms of foreigners' cost of living in China or of international prices of China's exports and imports. But (a) China's unsettled condition renders question of change of rate relatively less urgent from point of view of China's internal economic position, (b) Ministry of Finance is strongly opposed to any change of official rate on above ground and on ground that it would further undermine internal confidence in *fapi*.

3. However special exchange rate for utilitarian purposes also has disadvantages. Difficulty is that if special rate granted for one agency[—]e. g., army—only, agencies not covered would protest against it; and if it is granted for all purposes for promulgating dollar transactions, it would have to be granted for sterling and other currency transactions too. In this eventuality, official exchange rate would become a fiction. Moreover a wide discrepancy between special rate and official rate would be liable to be injurious to internal confidence in *fapi* as an equivalent change in official rate.

4. It would appear therefore that if any change in rate were to be made, a change in official rate would be preferable to a special rate or rates.

But in view of situation here, it could not be originated at initiative of board. Because of undesirability both of frequent small changes in rate and of too drastic an adjustment at one stroke in view of possible adverse internal repercussions, suggest rate to aim at is 40 *fapi* to one United States dollar. Striking at even that rate which would still leave *fapi* over valued, might be difficult of attainment. [Adler.]

GAUSS

⁹¹ *Supra.*

893.5151/905 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, October 30, 1942—10 a. m.
[Received 10:36 p. m.]

1243. TF-67 to Secretary of the Treasury from Adler. Am reporting an informal conversation with Dr. Kung on October 28 which supplements and corroborates preliminary findings of T6366 [TF-66].⁹² He expressed strong opposition to either institution of special rate or reduction in official rate. With respect to former he said he preferred an outright subsidy to United States Army in China. With respect to latter he said external value of Chinese currency has attained lowest point in history; any further reduction in rate would render it valueless. The only concession he would consider was to continue to wink at sale of United States currency notes in black market. [Adler.]

GAUSS

893.51/7647 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, November 3, 1942—2 p. m.
[Received November 4—1:25 p. m.]

1271. TF-71. To Secretary of Treasury from Adler. Re 1 of TF-63 of October 8.⁹³ At Dr. Kung's suggestion, board has requested General Secretary and myself to make a trip to northwest to investigate possibility of Board's opening an [office at] Lanchow which would grant United States dollar cover for commercial imports from Russia. General Secretary and I [are] leaving for Lanchow November 3 for about 2 weeks. [Adler.]

GAUSS

893.515/1543a : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, November 11, 1942—10 p. m.

1065. For Adler from the Secretary of the Treasury. Your cable of October 24, 1942, TF-64.⁹⁴ Please inform Dr. Kung that the Treasury does not object to the Government of China buying from the U. S.

⁹² Telegrams No. 1235, October 28, 3 p. m., and No. 1236, October 28, 4 p. m., *supra*.

⁹³ Telegram No. 1147, October 8, 9 a. m., p. 539.

⁹⁴ Telegram No. 1216, October 24, 9 a. m., p. 541.

Treasury US\$20 million of gold with dollars made available to China under the \$500 million financial aid agreement. [Morgenthau.]

HULL

893.51/7640 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, November 12, 1942—5 p. m.

1068. For Adler from the Secretary of the Treasury. Your 1147, October 8, 9 a. m., TF-63. Treasury does not object to the Board's granting U. S. dollar exchange for commercial imports from Russia. However, the Treasury would like to be informed of the probable magnitude of exchange needed for such purposes. [Morgenthau.]

HULL

811.515/1701a : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, November 14, 1942—3 p. m.

1082. To Adler from Secretary of the Treasury.

1. Evidence has come into the Treasury that persons normally resident in the United States now in China before departing from China may be purchasing U. S. dollar-backed certificates and bonds and importing them, or receipts therefor, into the United States for possible sale in the United States. It is also possible that such securities are being exported from China to the United States through the mails.

2. It seems to us that not only would such transactions result in a dissipation of China's foreign exchange assets without any compensating benefits to China, but also may make possible unwarranted and undesirable exchange profits through the use of existing black markets.

3. What is the attitude of the Chinese Government on the export from China of such securities or the evidences thereof and their possible sale in the United States? What are your personal views on this problem?

4. As you are undoubtedly aware, under Treasury General Ruling No. 5, the sending, mailing, importing or otherwise bringing into the United States from any foreign country, of any securities or evidences thereof or the receiving or holding in the United States of any securities or evidences thereof so brought into the United States is prohibited, except on condition that such securities and evidences thereof be immediately delivered for examination to a Federal Reserve Bank as fiscal agent of the United States. This General Ruling is ordinarily used to prevent the import into the United States of

looted securities. However, it could be used to assist the Chinese Government in controlling the export of securities from China to the United States.

5. The Treasury would appreciate your sending complete information regarding the terms of the U. S. dollar-backed bonds and certificates which may be of assistance in examining these certificates and bonds under the procedure required by General Ruling No. 5. [Morgenthau.]

HULL

893.51/7659

The Ambassador in China (Gauss) to the Secretary of State

No. 727

CHUNGKING, November 16, 1942.

[Received December 14.]

SIR: I have the honor to enclose as of possible interest to the Department, copies of memoranda⁹⁵ on the price problem in China prepared for the Chinese Government by Dr. Arthur N. Young, the American advisor to the Ministry of Finance, who, in making the copies available to me requested that should they be communicated to the Department they be treated as strictly confidential as to their source. I ask that that request be respected.

While exact measurements of the price rise in China are difficult because of faults in available data and widely varying conditions, it is conservatively estimated that in Free China the *average* price level is now at least 35 times the 1937 level. The figure for Chungking in August 1942, is given as 5627; while for Kunming, in Yunnan Province, the August level was 9843—the highest recorded in any area. The rate of increase in prices is tending to grow; prices have increased about threefold in the past year. This rate of increase is described as alarming. Dr. Young anticipates that if the rate of increase does not slacken, average prices throughout China will reach 100 times the 1937 level before the summer of 1943 and 200 times that level by the last quarter of 1943. In the memorandum sent as enclosure 1 with this despatch, Dr. Young compares this situation with that which existed in Austria, Germany, Hungary and Russia during and after the First World War. He points out the dangers to be feared from a similar situation in China.

Enclosure 1 discusses the combination of causes which has brought about this increasingly dangerous situation in China. Dr. Young states that the total National Government deficit in the first five years of the Sino-Japanese war was \$26,470,000,000* while the increase in note issue was \$21,568,000,000*—or over 80% of the deficit. Other

⁹⁵ None printed.

*Chinese currency [Footnote in the original.]

chief causes are the issuance of new currencies by the Japanese and their bogus regimes, the shortage of goods, enemy interference with internal trade by seizure and destruction of goods and means of production and by blockade of roads, rivers and railways; and the blockade of international trade.

In discussing remedial measures, Dr. Young points out that (1) the best psychological check to inflation in China would be the reopening of Burma, while in China, for example, the recapture of Ichang would reopen the flow of goods over to important inland trade route; (2) there must be every possible curtailment of government expenditure—involving re-examination particularly of the military items in the budget and expenditures on civil projects not essential to the war effort; there should be an efficient and honest tax service; and the sales of bonds and savings certificates should be pushed; (3) the sale of gold might be undertaken on an experimental basis; (4) care should be taken to avoid holding rice and other food supplies off the market; (5) effort should be made to increase the production of essential goods; and (6) there should be a relaxation of restrictions on internal transport.

Dr. Young asserts that but little can be expected from measures of price control and he discusses this subject in his second memorandum (enclosure no. 2). Following press reports of price control action in the United States there has been an indication that the Generalissimo desires that similar measures be adopted in China, where the situation is such as to promise no substantial results. China is not organized administratively to permit of the successful employment of the western technique of price control, price ceilings, et cetera.

The third memorandum accompanying this despatch has to do with the financial situation in Yunnan, where the price index has reached the highest recorded in any province of Free China (wholesale price index at Kunming in August, 1943; retail price index for September, 11,908).

In my conversations with Dr. Young he has particularly emphasized that the most important measure that can be taken to meet the China situation is the recapture of Burma and the reopening of this route for international trade. This, of course, is a problem involving military considerations the importance of which cannot be overestimated. It is my opinion that while the Japanese may have, for the time being, postponed any projected offensive against India or Australia, they are nevertheless prepared to resist in force any attempt to retake Burma and reopen the land route to China. There are various reports current that consideration is being given to retaking Burma with Chinese and Indian forces from India. Viewed from Chungking, the possibility of success in any such move is remote unless the British can

concentrate an overwhelming force, with naval and air support, for that purpose. Such overwhelming force with necessary naval and air support does not appear to exist at this time in the Indian-Burma theater of the war.

Respectfully yours,

C. E. GAUSS

893.51/7658

The Ambassador in China (Gauss) to the Secretary of State

No. 737

CHUNGKING, November 18, 1942.

[Received December 14.]

SIR: I have the honor to enclose for the Department's information the following material⁹⁶ concerning the recently concluded publicity campaign to promote the sale of the Allied Victory Bonds and the United States Dollar Saving Certificates issued by the Chinese Government against the backing of the American loan:

1. China Information Committee Bulletin of October 17, 1942, entitled "Publicity Week for New Bonds".

2. Translation of speech by the Secretary-General of the Bond Solicitation Committee announcing "The Enforcement Measures Governing the Solicitation of 1942 Allied Victory Bonds".

The Chinese Government on October 15 opened a week's campaign to encourage and increase the sale of the above-mentioned bonds and savings certificates. The local press devoted editorials to the subject, and an appeal for the increased sale of the bonds was made to the people by the Bond Solicitation Committee of the Ministry of Finance. That appeal stated that it was the duty of each citizen to the nation at war to buy bonds, that it was to the advantage of the buyer as a means of saving and that it presented a means of hastening the victory. Slogans adopted by the Committee appealed for the purchase of the bonds on the grounds of patriotism, stabilization of prices and currency and the buyer's own advantage, and emphasized the United States dollar backing for the bonds and the terms of repayment in United States currency.

Dr. H. H. Kung, Minister of Finance, in his report to the Third People's Political Council enumerated as one of the five points toward the accomplishment of which the Ministry of Finance will exert its full efforts the enforcement of compulsory subscription to public bonds in order to effect an equitable distribution of the economic burden and also to absorb floating capital. Editorials in the Chinese press made vague references to the enforcement of compulsory subscription to the bonds, and there has reportedly been much discussion concerning the establishment of some compulsory purchase program.

⁹⁶ Not printed.

At the end of the campaign the Bond Solicitation Committee announced its Measures Governing the Solicitation of 1942 Allied Victory Bonds, according to which compulsory purchase of domestic bonds was to be effected by an allotment plan while the sale of the United States dollar bonds and savings certificates was to be continued by solicitation. The allotment plan is to be made applicable only to Chungking, and in view of its complicated provisions is not likely to be effective.

The campaign has apparently done little to increase the sale of the bonds and savings certificates, for the total sales of the Savings Certificates up to October 29 were US\$5,498,000 or CN\$109,960,000. It is impossible to obtain any figures for the sale of the Allied Victory Bonds, but it is understood that the total sales of that issue are approximately CN\$10,000,000. The Ministry of Finance is apparently reluctant to release any statistics because of the small sales of these bonds.

The sale of the issues secured by the American loan has contributed little as an anti-inflationary measure. It is generally felt that investors who are able to secure considerable profits from commercial transactions under present inflationary conditions are not attracted by the small return to be derived from the interest on these bond issues. The negligible sales of the Allied Victory Bonds is ascribed to the long term thereof, and even the backing provided by the American loan has not served to make these issues sufficiently attractive to Chinese investors to make them invest therein in appreciable quantities. The continued small sale of the bonds and savings certificates may therefore be ascribed primarily to the present opportunity offered investors of obtaining large profits from speculation and commercial transactions and secondarily to the lack of confidence in the Chinese Government's fiscal policy and the long term of the Allied Victory Bonds.

Respectfully yours,

C. E. GAUSS

893.5151/9053

Memorandum of Conversation, by Mr. Willys R. Peck of the Division of Cultural Relations

[WASHINGTON,] November 19, 1942.

Dr. Joseph Beech was for many years President of the West China Union University at Chengtu, Szechuan, China, and now that he has retired, still retains some connection with that institute.

Among other remarks, Dr. Beech said that he felt there was something wrong in a situation which compelled the missionary organiza-

tions in the United States remitting money to the West China Union University to make their remittances through the Bank of China and receive for their drafts between \$18 and \$19 Chinese national currency, when the same drafts sold in the "black market" would yield in the neighborhood of \$100 Chinese national currency. It seemed to him, as a layman, that somebody must be making an unwarranted profit out of funds contributed by Americans for the assistance of the Chinese. For example, Dr. Beech said he had heard of a case where a Chinese was given a draft in American currency to pay his travel expenses from China to the United States and through the assistance of a Chinese friend (presumably in banking circles) had sold the draft, purchased the transportation, and still had American money in his pocket when he arrived in the United States.

Dr. Beech permitted Mr. Peck to retain a copy of a letter dated October 14, 1942,⁹⁷ from Dr. Phillips F. Greene, Director, American Red Cross Relief Operations in China, to Mr. Richard F. Allen, Vice-Chairman, Insular and Foreign Operations, American Red Cross, Washington, D. C. This letter indicates, *inter alia*, that the expenses of the members of the American Embassy for food alone in September averaged U. S. \$275.00 per person.

840.51 Frozen Credits/8476a: Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, November 20, 1942—2 p. m.

1114. To Adler from Secretary of the Treasury. Information has come into the Treasury that persons in the United States are transferring funds to persons in unoccupied China under General License No. 75 and then sending instructions by letter or cable to these persons in unoccupied China directing them to forward the funds to persons in occupied China.

The Treasury is considering whether or not the sending such instructions should be prohibited on the grounds of being contrary to Treasury's General Ruling No. 11 which prohibits direct and indirect transactions involving trade or communication with the enemy and enemy occupied territory and nationals thereof.

The Treasury would appreciate your comments and suggestions on this problem including (a) the attitude of the Government of China on such remittances, and (b) the existing controls on remittances from Free to occupied China. [Morgenthau.]

HULL

⁹⁷ Not printed.

893.5151/906a : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, November 21, 1942—2 p. m.

1125. For Adler from the Secretary of the Treasury. Treasury would be pleased to receive information and your views on the following matters:

(a) Regulations governing remittances from Free China to friendly countries, particularly the United States, including (1) limitations, if any, on the amount which can be remitted by any individual during any given period, e. g., one month; (2) purposes for which remittances are permitted, and (3) restrictions as to individuals or organizations permitted to make remittances.

(b) Regulations, if any, governing export of foreign currencies from China, particularly to the United States, including currencies carried out by individuals leaving the country.

(c) Black market for foreign currencies, particularly the United States dollars, including (1) chief centers; (2) magnitude of volume of transactions; (3) sources of foreign currencies; (4) chief beneficiaries and (5) attitude of Chinese Government towards the continued existence of these black markets.

Please forward as quickly as possible the information on those of the above matters which are more readily available. With regard to such of the above matters on which detailed information is difficult to obtain, please forward as soon as possible your preliminary findings. [Morgenthau.]

HULL

893.51/7652a : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, November 23, 1942—6 p. m.

1137. For Adler from Secretary of the Treasury. Please transmit to Dr. Kung the following message from Secretary Morgenthau. The original letter is being sent by mail.

"Dear Dr. Kung: I wish to express my appreciation for the way in which China met its obligations under the 1937 arrangement, despite the many difficulties resulting from war and invasion.

Now that your Government has completely liquidated the debt owed by the Central Bank of China to the United States Stabilization Fund under the 1937 arrangement, the question arises as to whether you would prefer to have this arrangement continue in effect or whether you would prefer to have it terminated. Of course, if the Government of China does not request its renewal, the 1937 arrange-

ment will automatically terminate on December 31, 1942. The Treasury would be glad to receive your views on this matter.

I trust this message finds you in the best of health.

Sincerely yours,

H. Morgenthau, Jr.,
Secretary of the Treasury".

HULL

893.51/7653 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, November 30, 1942—11 a. m.

[Received 11:46 a. m.]

1404. For Secretary Morgenthau from Doctor Kung.

["Dear Mr. Secretary: I have the pleasure of receiving, through the American Embassy, your message expressing your satisfaction for the way in which China has fulfilled her obligations to the United States stabilization fund under the 1937 arrangement, and inquiring whether the Chinese Government would prefer to have this arrangement continue in effect as otherwise it will automatically expire on December 31, 1942.

In reply, I wish to express to you my appreciation of your kind message and thoughtful inquiry. In view of the spirit that motivated your good self and me to make this agreement when I was in Washington in 1937, I am instructing Mr. Hsi Te-mou to call on you on my behalf with new proposals regarding its renewal.

With kindest personal regards.

Yours sincerely,

H. H. Kung,
Minister of Finance⁹³.

GAUSS

893.5151/905

*Memorandum by the Assistant Chief of the Financial Division
(Luthringer)*

[WASHINGTON,] November 30, 1942.

It would appear that Dr. Beech⁹⁸ believes that charitable remittances to China should be made at the black market rather than the official rates. I doubt that he would get very far with either the Treasury or the Chinese Ministry of Finance with any such argument.

Telegrams from China over the past few months indicate that the present official rate of approximately 20 yuan to the dollar over-values the yuan by at least 100% and possibly by 200 or 300%. Naturally this is a very unhappy state of affairs for foreigners in China. The situation came first to FD's attention in a telegram to the

⁹⁸ See memorandum of November 19, p. 548.

Secretary of the Treasury from Currie, dated July 31, 1942, in which Currie stated that he had indicated informally to Dr. Kung the "growing resentment of our diplomatic and military and charitable organizations over declining purchasing power of United States dollar in China." Currie raised the question of leaving the official rate untouched but giving a special rate for special purposes and suggested to the Secretary of the Treasury that he make inquiry of Adler* what if anything was being considered. Treasury requested Adler for a report and since early in August there have been a number of interchanges of telegrams on the subject. Adler has indicated that a rate of 40 yuan to the dollar would "very roughly" approximate the purchasing power of the United States dollar in China to that of a year ago. Adler has remarked that both the United States Government officials and missionaries have found that their living expenses doubled.

Apparently Adler has found in conversations with Kung that the Chinese Government is strongly opposed to special rates of exchange as suggested by Currie. Kung is also skeptical of the desirability of a substantial reduction in the official rate. Adler has reported that Kung prefers an outright subsidy to the United States army in China to the institution of a special rate and was reluctant to consider any concessions other than continued winking at black market sales of U. S. currency notes. Apparently such sales of notes are largely by army personnel.

It would appear from the foregoing that the plight of the missionaries and charitable organizations is bound up with major Chinese financial questions such as the proper official rate for the yuan, control of black market operations, etc., which are currently being discussed between the Chinese Treasury and our own Treasury. Mr. Friedman of the Treasury informs me that it is his impression that the Chinese are relatively indifferent to the plight of the charitable organizations. It would appear to FD somewhat dubious that the plight of such organizations should be made a controlling factor in the situation. A decision to devalue the yuan further is a complicated question which presumably must be decided on broader grounds. Kung apparently feels that since there is so little trade the psychological ill effects of devaluation of the yuan or the institution of a broad system of special rates may well offset the advantages of further devaluation.

FD believes that if RC⁹⁹ perceives no objection a copy of the attached file might prove of interest to the Treasury Department.

*American alternate on the Stabilization Board of China [Footnote in the original].

⁹⁹ Division of Cultural Relations.

893.51/7654 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, December 3, 1942—9 a. m.

[Received December 4—8:37 p. m.]

1425. Following information from British Financial Attaché (Hall-Patch) who is leaving soon for London en route thence to Washington: Negotiations for utilization of the British credit of 50 million pounds have been at a standstill for some time. Chinese have made proposals unacceptable to the British because inconsonant with British requirement that credit be used for purchases within [sterling area?] and for the period of the war only. Recently Wellington Koo¹ made a "personal" approach to British Embassy with the knowledge of the Minister of Finance suggesting (1) credit be used to finance transfer of ships and machinery to China when near conclusion of war made it evident that Britain could spare ships and machinery useful to China, or (2) credit be used to take over loans to China secured on the Chinese customs. Neither proposition it appears was acceptable to the British, and no agreement has been reached for using the loan. Soong is non-communicative on the subject but hope is entertained that, when he makes his reported visit to London after his return to Washington, he may be able to work out a practical arrangement.

GAUSS

893.51/7655 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, December 7, 1942—9 a. m.

[Received December 8—4:05 p. m.]

1440. TF-72. To Secretary of the Treasury from Adler.

1. Returned to Chungking after 2 weeks each in Lanchow and Sinkiang. Delay in return due to irregularity of air service. Trip confirmed desperate need for imported goods in N. W. Sinkiang and Kansu provincial authorities gave assurances that they would give every facility to Board if it decides to open branch in N. W.

Re your message of November 12,² Russian trade representative in Chungking indicates that Russia can supply some textiles, small metal goods and parts, Chinese medicines and possibly textile machinery and that he will inform Board of probable magnitudes involved in near future.

¹ Chinese Ambassador in the United Kingdom.² Department's telegram No. 1068, November 12, 5 p. m., p. 544.

Report on economic situation in N. W.³ and replies to your 1082 of November 14 and your 1125 of November 21 following.

2. Re your 1065 of November 11, have transmitted information to Dr. Kung.

3. Regarding your 1114 of November 20.

(a) Dr. Kung informs me that Chinese Government is not opposed to remittances to occupied territory as long as they are made via unoccupied China for following reasons: (1) Foreign exchange does not fall into enemy hands, (2) remittances have succeeded to maintain circulation of *fapi* in occupied areas in which enemy is trying to prohibit both the receipt of remittances from unoccupied China and the circulation of *fapi*. Moreover enemy acquired so much *fapi* in Shanghai and elsewhere that there is no question of such remittances increasing Japanese supply of *fapi* to an undesirable extent. (3) In many areas in Kwangtung enemy occupies only towns and communication points but not countryside to which a substantial part of remittances are sent. (4) He states overseas Chinese whose political influence here is considerable are most anxious that channels for remittances be maintained.

(b) Mr. Pei, acting general manager of Bank of China which handles most of remittance business, informs that bank has recently opened branch in Shaping, city nearest occupied area, which remits *fapi* to "no man's land" through contacts with Kwangtung "native" bankers. Mr. Pei added that in this work his bank handles only bona fide personal remittances and that the Minister has been notified from the "native" bankers that the remittances reach the families to which they are sent.

(c) In view of the above, I see no objection to permitting the continuation of such remittances as long as they are made via unoccupied China. I should appreciate being informed of any cases of abuse which come to Treasury's knowledge so as to be able to notify Chinese authorities. [Adler.]

GAUSS

893.50/283 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, December 8, 1942—4 p. m.

[Received December 10—6:58 a. m.]

1456. TF-73. To Secretary of Treasury from Adler.

Section I: Economic situation in Northwest.

1. Kansu and Sinkiang, previously two of most backward provinces of China, have made considerable economic progress in recent

³ See telegram No. 1456, December 8, 4 p. m., *infra*.

years. In Kansu, Central Government has initiated forestation, irrigation, and animal husbandry projects, and a number of industrial plants have been opened, both by Government and private enterprise, of which most striking is Central Government's opening of Yumen oil field this year. It is now producing 250,000 gallons per month, gasoline having octane content of 40-45; main problem lack of refining equipment and drums. In Sinkiang, Provincial Government, apparently with Soviet assistance, has made substantial advances in improving breeds of livestock and quality of wheat and cotton, and in conjunction with private enterprise has made a start in developing a few light industries. Last year Tusan oil field began production; output now 150 tons crude oil a day. Acute shortage of imported goods in both provinces. There has recently been an increasing tendency for both Provincial Government authorities to introduce regulation and control of private trade and industry to an extent which has already had unfavorable repercussions in Kansu and which may do so in Sinkiang.

Section II: Economic situation in Lanchow area.

1. Lanchow, with population of 120,000, center of wheat producing area and commercial center for Kansu wool output. It has a number of woolen textile and flour mills, machine shops and match factories—some Government and some privately operated—and also some coal mines in vicinity.

2. Prices in Lanchow less than two-thirds those in Chungking and still lower in rural areas, as all large cities constitute "pockets of inflation". Even so, Lanchow prices over three times higher than in November, 1941. Retail prices in Lanchow, October 1942: general, 4300; food, 3420 (Farmer's Bank, January-June equals 100). Rate of increase from July to October, 15 to 20% per month. Prices of imported goods have risen most and of goods from occupied territory next.

3. 1942 wheat harvest satisfactory.

4. Operation of Kansu Provincial Government price control, initiated 2 years ago, presents a discouraging picture of excessive mercantilist regulations cramping individual initiative. Nine commodities controlled, and their official prices often set below cost of production to manufacturers and cost of purchase to merchants. Authorities have confiscated large stocks of goods—sometimes on minor technicalities—without releasing them to market; thus Bank of China had, in dollars, 70 million of goods confiscated from its go-downs 4 months ago, but they were merely transferred to Provincial Government go-downs. Result is that private factories are curtailing production, banks curtailing loans, and merchants moving their capital to less controlled area with consequent intensification of wartime scarcities. Control fully operative only in Lanchow.

5. Central Government authority completely effective in Kansu.

Section III: Economic situation in Sinkiang.

1. Population about 4 million, of which 60% Turkish and about 10% Chinese. Population largely concentrated around oases. The capital Tihwa is communications and political center, but Kashgar, Ili, and Turfan largest towns. Governor Shen restored internal peace in province largely by policy non-discrimination with respect to numerous racial groups comprising population. By doing so, he probably saved Sinkiang from fate of Mongolia.

2. Sinkiang still has its own local currency which in 1938 was fixed at 3.20 to the United States dollar for trade purposes with Russia, no United States dollars actually being used. At end of October 1942 by agreement between Dr. Kung and Governor Shen, Sinkiang dollar fixed at SK dollars 4 equals 1 customs gold unit note (i. e. 20 *fapi*), which was admitted into circulation in Sinkiang for first time; this rate undervalues SK dollar sign. It was also agreed that Central Bank should open branch in Tihwa (Urumchi) in near future. Amount of SK dollar sign in circulation reported in Chungking to be SK dollar sign 32 million but this may be underestimate. Provincial Bank claims it keeps 60 percent reserve of gold and silver against note issue. Official price of gold SK dollars 400 and of silver SK dollars 5 per ounce, but amount of production unknown.

3. Sinkiang economy varied in character. It is predominantly agricultural with fairly large livestock industry and wheat, cotton, rice and fruit cultivation. Production and trade carried on by private, Government and mixed organizations, while primitive nomadic barter form found side by side with fairly well equipped factories (with Soviet machinery and experts) and a modern credit institution, 60 percent Government owned and entirely Government operated, having 36 branches or agencies. Commercial production nearly 2 million tons per annum. Some wolfram deposits have been discovered but not yet worked.

4. Prices far lower than in interior of China. In spite of extensive Provincial Government activities and expenditures, there appear to be no signs of inflation, primarily because Sinkiang is economically independent of rest of China. There was a bumper harvest this year and prices of foodstuffs reasonable and supplies adequate.

Economic conditions have been adversely affected since Soviet-German war by drastic curtailment of imports from Russia which is main source of supply of manufactured products. Trade with Russia carried on nominally in terms of United States dollars but actually on barter basis was monopolized by Government organization in November 1942. Worst shortages are in tires, tubes and batteries, medicines, cotton piece goods and light industry machinery.

5. While there is considerable Government participation in economic life, it has not until recently unduly discouraged private enterprise despite obvious Soviet influence. However, there are signs of increasing Government control of prices and internal and foreign trade will tend to have same effect as in Kansu.

6. Transportation. Main Sinkiang highway from Soviet to Kansu border excellent both as to physical layout and technical administration and in a journey of two and one half days from Tihwa to Ili near Soviet border, a distance of 650 km., I observed (a) 60 Soviet one and one half ton trucks a day, also large camel and donkey caravans, moving eastward with gasoline for Central Government; (b) note inward traffic; (c) well equipment and well managed rest houses at intervals of about 150 km.

7. Influence of Chungking in Sinkiang has seen [*been?*] increasing, as evidenced by: (a) currency and banking arrangements lately concluded, mentioned in paragraph 2. (b) Presence of Central Government military agricultural and engineering experts. (c) Kuomintang Provincial party headquarters soon to be opened in Tihwa. (d) Provincial Government's continued cooperation in transportation of Central Government's imports via Sinkiang.

Section IV: Anything Board can do to facilitate imports into NW would undoubtedly contribute to ameliorating economic situation there as well as to consolidating position of Board. [Adler.]

GAUSS

893.51/7657a : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, December 9, 1942—midnight.

1209. For Adler from the Secretary of the Treasury. For your personal information.

Part I. The Central Bank of China has instructed the Federal Reserve Bank of New York to invest \$150 million of the \$200 million being held by the Central Bank in special accounts with the Federal Reserve Bank of New York in the one year $\frac{7}{8}$ of 1 percent certificates of indebtedness suggested to the Central Bank by the Treasury.

Part II. Dr. Kung, through Mr. Hsi, has informed the Treasury that he desires the continuation of the 1937 arrangement on condition that China be permitted to purchase for earmarking \$50 million of gold out of the \$300 million still remaining to the credit of China on the books of the Treasury. Dr. Kung has indicated that he might agree to 30 or 40 million dollars of gold, if the Treasury so desires. The Treasury is now considering this proposal and would appreciate receiving immediately any comments you may wish to make on this

matter so that these comments may be taken into consideration before any final decision is made. [Morgenthau.]

HULL

893.51/7656: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, December 11, 1942—10 a. m.

[Received December 12—5:10 p. m.]

1476. To Secretary of the Treasury from Adler.

TF-75 continuing TF-74.⁴

2. There is some confusion here as to status both of savings certificates at time of maturity and of checks or drafts which it is intended to issue in lieu of or in exchange for savings certificates when they are presented in New York at due date. Some quarters in Chinese Government feel (it would appear to me mistakenly) that both certificates and checks or drafts would not be frozen in view of general license 60, (2). In view of subsequent telegram with respect to applicability of general license 60, (2), general ruling number 5, and public circular number 2 and in view of fact that banks are holding up printing of checks and drafts pending clarification of their status, replies to following questions would be appreciated:

a. What is the status of savings certificates issued by (1) Central Bank, (2) Bank of China, Bank of Communications and Farmers Bank, (3) Central and Postal Savings Bank?

b. What would be status of postdated checks or drafts issued in exchange for or in lieu of savings certificates by (1) Central Bank, (2) Bank of China, Bank of Communications and Farmers Bank, (3) Central Trust and Postal Savings Bank?

c. Central Trust is a subsidiary of Central Bank while Postal Savings Bank is a Chinese Government Institution. Are they generally licensed nationals under general license 60 (1), and therefore in same position as Central Bank?

3. Chinese Government shares your view that transactions described in number 1 of your 1082⁵ are undesirable and would appreciate your assistance through use of general ruling number 5. I am informed that Bank of China, Kunming, had sold \$100,000 of savings certificates to American nationals (presumably mostly soldiers) up to the beginning of November. From a number of inquiries it would appear that the scale on which American nationals outside Kunming have bought certificates is quite small, partly due to lack of confidence in their convertibility in New York.

⁴Telegram No. 1475, December 11, not printed; it repeated a translation of "Measures governing the issue of United States dollar saving certificates" issued by the Chinese Government on March 24, 1942 (811.515/1752).

⁵November 14, 3 p. m., p. 544.

I fully agree with you on undesirability of such transactions and suggest that the matter be taken up with the War Department in Washington. It should be noted that contemplated issue of checks or drafts in lieu of or in exchange for certificates might complicate problem of control.

4. For your information, a number of established foreign business houses have been purchasing saving certificates with *fapi* acquired in the normal course of business. It is felt that such purchases are different in character from purchases of certificates made by residents of the United States temporarily in China before their departure, but your opinion on their desirability would be appreciated. [Adler.]

GAUSS

893.5151/908 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, December 11, 1942—4 p. m.

[Received December 13—5:07 p. m.]

1484. For the Secretary of the Treasury from Adler.

TF-77. Re your 1125 of November 21, section 1, paragraph A, re 1125 (a).

1. Foreign Exchange Control Commission has no restrictions save that it acts only on applications from Chinese Government organizations which must receive its approval.

2. Stabilization Board regulations. Paragraph (I), amount not to exceed United States dollars 200 or pounds 50 per month, save in special cases when amount remitted per annum is limited to United States dollars 2,400 or pounds 600.

Paragraph II. Following is a list of purposes for which remittances have been permitted; traveling and living expenses abroad, support and educational expenses of family living abroad, payment of insurance premiums and loans, conversion of proceeds from sale of effects of deceased individuals, cost of medical treatment abroad for family, purchase of medicines for household use, conversion of Chinese dollars holdings of persons leaving and not returning to China up to United States dollars 400 or pounds 100 (United States dollars 500 and pounds 125 for members of armed forces) and in special cases of excess over above sums at rate of United States dollars 200 or pounds 50 per month, payment of annual dues to societies abroad, purchase of technical books for personal use, payment of debts incurred abroad, purchase of supplies by Embassies, et cetera, and personal unspecified expenses of Ministries.

III. Restriction as to persons or organizations permitted to make remittances:

[*a.*] Chinese Government departments or agencies are required to apply to Foreign Exchange Control Commission as are their employees with respect to personal requirements on Government business.

b. Employees of firms with offices abroad are not entitled to foreign exchange. In a few cases where such employees receive their salaries in national currency and have no other source of foreign exchange, this ruling has been waived.

c. All applicants are required to sign a statement that they undertake to sell such foreign exchange as comes into their possession in China to an appointed and/or approved bank at official rate of exchange.

All above self-explanatory.

B. Re 1125 (*b*).

Until outbreak of Pacific war, Chinese Government prohibited export of more than CN dollars 500 or its equivalent in foreign currency in form of currency notes plus allowance for traveling expenses. This regulation was subsequently abrogated as Chinese Government wished to encourage movement of *fapi* into occupied areas, and there are at present no restrictions. As there is some movement of United States dollar and Indian rupee currency into India for undesirable purposes, revival of the old regulation with respect to foreign currencies would appear to be in order.

C. Re 100,125 [1125] (*c*).

(1) Main centers of black market Kunming, Chungking and Kweilin, with Kunming by far the most important. Kunming has active market particularly in United States dollar notes and Indian rupees notes, to a smaller extent in United States Treasury and Indian rupees checks, to a still smaller extent in Burma rupee and Hong Kong dollar notes and in piasters. Kunming black market rates: United States dollar notes 50 to 1-rate has gone as high as 60 but only for a short time; United States Treasury checks 40 to 1; Indian rupees notes and checks 1619 to 1; Burma rupee notes 12 to 1; Hong Kong dollar notes 5 to 1 and piasters 20 to 1.

Chungking black market rates: United States dollar notes 50 to 1; United States Treasury checks 40 to 1; Indian rupee notes and checks 16 to 1; Burma rupee notes 6 to 1 and Hong Kong dollar notes 5 to 1. Kweilin black market confined to United States dollar notes and checks.

(2) Magnitude of volume of transactions.

a. It has been [estimated?] that United States soldiers in China will have sold at least United States dollar 250,000 in United States dollar

notes into black market by the end of 1942 and actual sum may well be greater. It should be noted that the size of the USAF⁶ in China is increasing and that amount of United States dollar notes and Treasury checks going into black market will tend to increase with it in absence of remedial measures. In addition a small amount of United States dollar notes may have trickled into black market from visitors and journalists.

b. No estimates are available as to magnitude of transactions in United States Treasury checks and other currencies and checks. It is known, however, that sale of United States dollar notes and that trading in Indian rupee notes and checks is considerably more active than in Burma rupees, Hong Kong dollars and piasters.

c. According to a reliable source, trading in all foreign currencies in Kunming black market at the beginning of November was averaging the equivalent of one lakh of Indian rupee per week.

(3) Sources of foreign currencies.

a. United States dollar notes and Treasury checks—almost entirely United States soldiers the remainder coming from transient United States Government officials and other visitors. Each American soldier in China receives United States dollars 40-50 in notes per month (USAF makes its official purchases of supplies, et cetera, with *fapi* obtained at official rate).

b. Indian and Burma rupee and Hong Kong dollar notes—Chinese refugees from Burma and Hong Kong who did not sell their foreign currency holdings to Government banks.

c. Indian rupee checks—travelers and persons who keep their bank accounts in India.

d. Piasters—Yunnanese hoards.

Main beneficiaries:

(*a*) Chinese buying United States dollars and Indian rupees to (1) hoard in China and (2) buy goods in India either for purpose of smuggling into China or to hoard packers against rising prices there.

(*b*) Chinese buying Burma rupee and Hong Kong dollar notes to hoard in China.

[*c?*] Chinese buying piasters in dry season for purchase of goods in Indochina to be smuggled into Yunnan.

(*d*) Foreigners leaving China who wish to acquire United States dollars or Indian rupees against *fapi* they cannot convert into foreign exchange through legitimate channels.

Main category is probably (*a*). There is a rumor current which it has been impossible to check that some of United States dollar and Indian rupees notes sold into black markets have reached enemy hands. [Adler.]

GAUSS

⁶ U. S. Air Force.

893.5151/907 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, December 12, 1942—9 a. m.

[Received December 13—11:21 a. m.]

1485. For Secretary of Treasury from Adler.

TF-78. Reference my TF-77.⁷ Conversations with Dr. Kung and Ministry of Finance officials reveal that on the whole they feel that black market for United States dollar notes could and should be dried up by cessation of their import by the United States Air Force in China. They themselves do not want to take initiative, as they realize that existence of the black market acts as safety valve for the United States Air Force's vocal discontent with official exchange rate. But my impression is that they would nevertheless welcome remedial action by United States authorities.

My own view is that such action should be taken especially as American soldiers' recourse to black market is leading to ugly rumors and to bad feeling on part of British soldiers who receive their allowances only in *fapi* converted at official rate. Main drawback to prohibition of United States Air Force import of United States dollar notes is that it would remove safety valve for Army's dissatisfaction with official rate. But on the other hand :

(a) Chinese Government is known to be considering adoption of reverse Lend-Lease for United States Air Force, and prohibition might accelerate a decision on its part.

(b) If Chinese Government does not adopt reverse Lend-Lease, it might find it more difficult to maintain its present position with respect to changing official rate of exchange.

[Adler]
GAUSS

893.51/7661 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, December 13, 1942—9 a. m.

[Received December 14—12:46 a. m.]

1493. To the Secretary of the Treasury from Adler.

TF-79. Reference part II of your 1209, December 9.

1. In a conversation with me this morning Dr. Kung after some background discussion said he was willing to renew the 1937 arrangement unconditionally and to accept any decision you make as to the amount of gold China should purchase for the Treasury, whether it be 20, 30, 40 or 50 million dollars. The reason he had suggested 50 million was that as that was the amount purchased in 1937 on your advice he would like to retain the same sum on earmark primarily

⁷ Telegram No. 1484, December 11, 4 p. m., *supra*.

as a friendly gesture to you but also to have China's gold holdings on the same level as in 1937. Throughout the conversation it was apparent that he was most anxious to cooperate fully with the Treasury.

2. Dr. Kung made no reference to possible need for importing gold in conjunction with the scheme for establishing free gold market here, a question which I understand is still pending.

3. China still has 10 million dollars unobligated gold in New York. She could therefore bring her gold holdings in New York up to 50 million by purchasing 40 million gold from the Treasury. This purchase could be made entirely independently of renewal of 1937 arrangement. [Adler.]

GAUSS

893.51/7661 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, December 29, 1942—4 p. m.

1278. For Adler from the Secretary of the Treasury. Your 1493, December 13, 9 a. m.

1. In your cable you report Dr. Kung as being willing to accept any decision which the Treasury may wish to make as to the amount of gold China should purchase from the Treasury, whether it be 20, 30, 40, or 50 million dollars. In view of the considerations given below, the Treasury feels that the already agreed-to U. S. \$20 million would be the more appropriate amount.

(a) The Treasury does not see how the Government of China would benefit by the purchase of additional gold on which the Government of China would have to pay the required charges.

(b) The information received from you and Mr. Hsi regarding Dr. Kung's attitude on the purchase of additional gold would seem to indicate that Dr. Kung does not feel that there is any pressing need for additional gold.

(c) The purchase of additional gold by the Government of China would require the raising of funds by the U. S. Treasury with which to purchase the additional gold. The U. S. Government would have to pay interest on these funds at a time when it is already engaged in the task of borrowing tremendous sums to meet its current fiscal needs.

(d) Unless China would benefit in some way by the purchase of additional gold, it would be difficult for the Treasury to justify to the public increasing the indebtedness of the U. S. Government in order to make possible the purchase of gold by the Government of China for earmarking here.

2. Please inform Dr. Kung of the above. [Morgenthau.]

HULL

893.5151/908

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, December 30, 1942—7 p. m.

1284. For Adler from the Secretary of the Treasury. Your 1484, December 11, 1942, part (B).

1. The Treasury would appreciate any further information and your views and comments on the following matters:

(a) Are there any indications that the Japanese or any other enemy nationals are benefiting from the lack of restrictions on export of foreign currencies from China?

(b) Could Chinese facilities be used by Japanese or by other enemy nationals to send foreign currency to nonenemy areas such as India for expenditure therein?

(c) What are the "undesirable purposes" referred to by you with regard to the movement of U. S. dollar and Indian rupee currency into India?

(d) Have the Japanese been able to dispose of their looted foreign currency, particularly currency obtained in Shanghai, in Free China and are they continuing to do so?

(e) Are the Japanese obtaining foreign currency from Free China?

(f) What are the regulations on imports of foreign currency into Free China?

2. These questions are being raised because of the Treasury's concern with preventing the enemy from benefiting from the use of U. S. currency which it may now possess or may obtain in the future. [Morgenthau.]

HULL

893.51/7662

The Chinese Ambassador (Wei) to the Secretary of State

WASHINGTON, December 30, 1942.

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 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 December 31, 1941, and with further reference to the provision of the Amendatory Agreement dated December 30, 1941 to the effect that advances on account of the loan will not be made to the Central Bank subsequent to December 31, 1942, I have the honor to inform you that the Chinese Government has authorized the further extension of that provision of the Agreement to December 31, 1943.

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 extension of the above mentioned provision of the Loan Agreement: namely, for the Republic of China, Dr. Alfred Sao-Ke Sze, Advisor to the Ministry of Foreign Affairs; Mr. Hsi Te-Mou, Representative of the Ministry of Finance and the Central Bank of China; Mr. K. Y. Yin, Director of the 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 and the Metals Reserve Company.

Accept [etc.]

WEI TAO-MING

893.51/7665

*Press Release No. 34-79 Issued by the Treasury Department on
December 31, 1942*

Secretary Morgenthau announced that the stabilization arrangement of July 14, 1937 under which the Central Bank of China has been enabled to obtain up to 50 million in U. S. dollar exchange has been extended for a period of six months beyond December 31, 1942.

Secretary Morgenthau also announced that the Government of China had completely liquidated all obligations which it had incurred in the past under the 1937 arrangement. China's favorable record under this arrangement, the Secretary declared, was another example of China's creditable dealings with the United States.

This arrangement was extended at the request of the Government of China. The Treasury, in accordance with its traditional policy of giving full financial cooperation to the Chinese Government, was pleased to agree to this request, the Secretary stated.

LEND-LEASE AGREEMENT BETWEEN THE UNITED STATES AND CHINA, SIGNED JUNE 2, 1942

893.24/1306½

*Memorandum by the Chief of the Division of Commercial Policy and Agreements (Hawkins)*¹

[WASHINGTON,] March 16, 1942.

At his press conference last Friday, Mr. Welles² was asked whether there are any prospects of concluding a lend-lease agreement with China in the near future and Mr. Welles' reply was non-committal.

This suggests that immediate consideration should be given to negotiating a lend-lease agreement with China along the lines of the agreement with the United Kingdom signed on February 23.³

There is attached a copy of a memorandum of March 5⁴ to Mr. Acheson⁵ setting forth in general terms why it is believed that all lend-lease agreements should so far as practicable be similar to the British lend-lease agreement. It is believed that these general principles are fully applicable in the case of China. Particularly it is believed that the terms of a master lend-lease agreement with China, in view of the importance of that country's role in the war, should be no less favorable than the terms of the British agreement.

I would be glad to discuss this matter with you at your convenience.

HARRY C. HAWKINS

893.24/1366

Memorandum by the Assistant Chief of the Division of Commercial Policy and Agreements (Ross)

[WASHINGTON,] April 7, 1942.

Reference is made to TA's memorandum of March 16 (copy attached)⁶ and to a meeting held subsequently in Mr. Hamilton's office

¹ Addressed to the Acting Chief of the Division of Exports and Defense Aid (Bunn), the Chief of the Division of Far Eastern Affairs (Hamilton), and the Adviser on Political Relations (Hornbeck).

² Sumner Welles, Under Secretary of State.

³ Department of State Executive Agreement Series No. 241, or 56 Stat. 1433.

⁴ Not printed.

⁵ Dean Acheson, Assistant Secretary of State.

⁶ *Supra*.

last week to discuss the proposed negotiation of a master lend-lease agreement with China along the lines of the British lend-lease agreement. In addition to Mr. Hamilton, the meeting was attended by Mr. Lauchlin Currie,⁷ Mr. Hornbeck, Mr. Adams⁸ of FE, Mr. Bunn and Mr. Thomas of DE,⁹ Mr. Johnson¹⁰ of DM and Mr. Ross of TA.

It was generally agreed that a lend-lease agreement with China on the British model would be desirable and that TA should collaborate with DE in preparing a draft of such an agreement. This draft is attached.¹¹

Mr. Johnson raised the question whether payments to China for strategic materials exported to this country might be precluded by the proposed agreement, thereby interfering with the procurement of such materials. He was assured that such payments would not be precluded.

It will be noted that the second paragraph of the preamble of the attached draft agreement with China does not appear in the British lend-lease agreement. This paragraph appears in the attached draft as it was recommended for inclusion in the master lend-lease agreement with Australia and reads as follows:

“And whereas the Governments of the United States of America and the Commonwealth of Australia, as signatories of the Declaration by the United Nations of January 1, 1942,¹² have subscribed to a common program of purposes and principles embodied in the Joint Declaration of the President of the United States of America and the Prime Minister of the United Kingdom of Great Britain and Northern Ireland, known as the Atlantic Charter;”¹³

However, the question was raised in Mr. Hamilton's office whether the specific reference to the Atlantic Charter in this paragraph would be appropriate in a lend-lease agreement with China, since China is not an Atlantic power and since there has been some talk of a “Pacific Charter”. It was suggested that this question might be avoided by dropping the last part of the paragraph, beginning with the words “embodied in the Joint Declaration . . .”

From the point of view of this Government the question of the scope of the Atlantic Charter was raised, and answered by the President, on January 2, the day following signature of the United Nations Declaration. The President replied to a question at his press con-

⁷ Administrative Assistant to President Roosevelt, with primary responsibility for Lend-Lease matters for China.

⁸ Walter A. Adams.

⁹ Division of Exports and Defense Aid.

¹⁰ Hallett Johnson, Assistant Chief of the Division of Defense Materials.

¹¹ Not attached to file copy of this document.

¹² Department of State Executive Agreement Series No. 236, or 55 Stat. 1600.

¹³ Joint Declaration by British Prime Minister Churchill and President Roosevelt, August 14, 1941, Department of State *Bulletin*, August 16, 1941, p. 125.

ference that day, in regard to a possible pact relating to the Pacific, to the effect that the Atlantic Charter covered the whole world (Department's Radio Bulletin No. 1, January 2). The President is also reported to have said that the Charter got its name only from the place of its signature. The language of the Charter itself, of course, indicates that it is world-wide rather than regional in scope.

From the Chinese point of view there would seem to be no reason to believe that any serious question would be raised by that Government in regard to the specific reference to the Atlantic Charter in the preamble of the proposed lend-lease agreement. The language of the entire last part of the proposed paragraph, beginning with the words "subscribed to a common program . . .", is identical to the language of the preamble of the United Nations Declaration which was signed for China by her Foreign Minister.¹⁴

It seems highly desirable that this paragraph be included in the lend-lease agreement with China, and in all lend-lease agreements with signatories of the United Nations Declaration, in order to emphasize by reiteration the importance which our Government and "other governments of like mind" attach to the principles of the Charter, and in order to reemphasize that the principles of the Charter are not in any sense limited in geographic scope. It may be added that the addition of this paragraph does not represent a difference of substance as compared with the British agreement; the British Prime Minister was one of the two original signers of the Atlantic Charter and there was therefore no need to include such a reference in the preamble of our agreement with the United Kingdom.

A question was raised by Mr. Currie in Mr. Hamilton's office as to the appropriateness in the case of China of the reference to the "reduction of tariffs" which occurs at the end of the first paragraph of Article VII of the British lend-lease agreement and the attached draft of the proposed agreement with China. This question was raised by Mr. Currie on the ground that China may have a great industrial development after the war and may wish in this connection to impose tariffs as a means of protecting her infant industries in that period. He felt that a commitment by China in regard to the "reduction of tariffs" might, as a result of pressure by American exporters, tend to become a cause of irritation between the two Governments and even preclude the imposition of tariffs by China to protect her infant industries.

The "infant industry" argument in support of protective tariffs is virtually as old as the tariff question itself and has led more often than not to excessive protection of inefficient industries. Presumably, however, Mr. Currie did not have in mind that it would be in China's inter-

¹⁴T. V. Soong.

est to impose excessive tariffs which would unduly burden that country's consumers and her foreign trade.

It is not believed that the words which Mr. Currie questioned would in any sense preclude the imposition by China of such tariffs as were not excessive or discriminatory and this was pointed out to him. It was also pointed out that Article VII is not in itself conclusive; on the contrary, it lays down broad principles which require implementation. As Mr. Hamilton has subsequently indicated, the second paragraph of Article VII deals with the question of implementation and states specifically that the best means of attaining the desired objectives shall be determined "in the light of governing economic conditions." Such factors as the future industrialization of China would of course be taken into account in any discussions or negotiations for the purpose of implementing the principles laid down in Article VII; for example, the Chinese Government has recently and in the past expressed an interest in negotiating a trade agreement with the United States. It was pointed out to Mr. Currie in this connection, that Article VII, being reciprocal in its terms, would commit this Government in principle to the reduction of its tariffs and that this commitment would be desirable from the Chinese point of view, particularly since that Government has expressed an interest in trade agreement negotiations. Under our trade agreement policy, in return for concessions granted by this country, we would seek reductions or bindings of Chinese tariffs only on products of particular interest to us; in regard to other tariffs we would seek only nondiscriminatory treatment.

Finally, it was pointed out that the omissions of a reciprocal commitment involving the possibility of tariff reductions from the proposed lend-lease agreement with China would be open to misunderstanding and misinterpretation which would in all probability have a more serious and permanent adverse effect on our relations with China than the inclusion of this commitment could possibly have.

893.24/1367

Memorandum by the Acting Chief of the Division of Exports and Defense Aid (Bunn) to the Chief of the Division of Far Eastern Affairs (Hamilton)

[WASHINGTON,] April 8, 1942.

Attached are a memorandum¹⁵ and a draft agreement¹⁶ prepared in TA, and which I have initialled.

¹⁵ *Supra.*

¹⁶ Not attached to file copy of this document.

It will be noticed that the draft follows the British text in all essential respects. The reasons are stated in TA's memorandum.

In order to meet Mr. Currie's point, however, I suggest the following brief statement which might, if desired by the Chinese, even be made the subject of an exchange of notes at the time of the signature of the agreement:

The proposed agreement is in the same terms as similar agreements between the United States of America and others of the United Nations. Article VII makes reference to reduction of tariffs. It is recognized that the tariffs in effect in China are already, in general, low. General reductions in Chinese tariffs are therefore not expected, and some increases may be appropriate. All these matters are to be the subject of further discussion and agreement, as Article VII indicates, to the end that production and employment in both countries may be expanded by increased trade in both directions between them, and between each of them and other nations.

Sufficient copies are attached for Mr. Hornbeck and Mr. Currie.

CHARLES BUNN

893.24/1353

*Memorandum by the Chief of the Division of Far Eastern Affairs (Hamilton) to the Secretary of State*¹⁷

[WASHINGTON,] May 26, 1942.

It is suggested that you ask the Counselor of the Chinese Embassy (Mr. Liu Chieh) (the Ambassador is absent and will be away until June 2) to call and that you hand to the Counselor the ribbon copy, with one carbon, of the attached draft of a proposed lend-lease agreement between the United States and China.¹⁸

In so doing it is suggested that you might care to inform the Counselor that with the exception of a few minor phraseological changes the draft follows the language of the lend-lease agreement concluded between the United States and the United Kingdom of Great Britain and Northern Ireland, with only one substantive change, namely, the inclusion of one additional statement which appears as the second "Whereas" clause. This new "Whereas" clause takes cognizance of and makes express reference to the Declaration by United Nations and the declaration known as the Atlantic Charter. This Government proposes, because of its obvious political significance, to include it in all further lend-lease agreements. You might hand the Counselor a copy of the text of the agreement with the British Government (copy attached).

¹⁷ The Assistant Secretary of State (Acheson) and Adviser on Political Relations (Hornbeck) concurred.

¹⁸ Draft not printed.

You might inform the Counselor also that this Government has desired to include the Chinese Government among the first Governments which we have approached in the matter.

You might inform the Counselor that officers of the Department will be available to confer with officers of the Embassy at any time in regard to any technical aspects of the draft and you might suggest that I will hold myself in readiness to arrange such a conference upon receipt of word from the Chinese Embassy that such a conference is desired.

M[AXWELL] M. H[AMILTON]

893.24/1354

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] May 27, 1942.

Dr. T. V. Soong, Foreign Minister of China, accompanied by the Counselor, called at my request.

I handed the Minister the substance of the proposed lend-lease agreement between this country and China, which he seemed pleased to receive.

There were just a few general remarks exchanged since the Minister was obliged to leave for a White House engagement.

C[ORDELL] H[ULL]

893.24/1403

Memorandum of Conversation, by the Chief of the Division of Far Eastern Affairs (Hamilton)

[WASHINGTON,] June 1, 1942.

Mr. Liu Chieh, Counselor of the Chinese Embassy, telephoned. He referred to the text of a proposed lend-lease agreement between the United States and China, a draft of which the Secretary of State handed to Dr. T. V. Soong and to him on May 27.

Mr. Liu said that Dr. Soong had received a telegram from Generalissimo Chiang Kai-shek authorizing Dr. Soong to sign as Minister for Foreign Affairs. Dr. Soong suggested that the agreement be signed tomorrow.

I said that I understood from this that the text as presented to Dr. Soong and Mr. Liu Chieh on May 27 was satisfactory to the Chinese Government. Mr. Liu replied in the affirmative.

I commented further that the Chinese Government had acted in this matter with gratifying speed. I said that I did not know whether

we could act with comparable speed but that I would make inquiries and would then get in touch with Mr. Liu Chieh.

M[AXWELL] M. H[AMILTON]

[For text of preliminary agreement between the United States and China on principles applying to mutual aid in the prosecution of the war against aggression (Lend-Lease), signed June 2, 1942, see Executive Agreement Series No. 251, or 56 Stat. 1494.]

AID TO CHINA UNDER THE LEND-LEASE PROGRAM ¹

893.24/1250a : Telegram

The Secretary of State to the Consul General at Rangoon (Schnare)

WASHINGTON, January 11, 1942—9 p. m.

10. From General Marshall ² for Lieutenant Colonel Adrian St. John. ³

“The difficulties which have arisen in Rangoon over handling of defense aid equipment have apparently been caused by misunderstandings as to ownership but have nevertheless created some resentment. It is understood that materials on the SS *Tulsa* regarding which some difficulties arose have now been released to the Chinese and that similar cases will probably not recur. It is essential that your attitude reflect a desire to cooperate with all concerned but in no case except one of extreme emergency involving the safety of the equipment should you permit even a temporary diversion of defense aid materials destined for China without the prior and specific approval of the Generalissimo. ⁴ It is most important to exercise incessant supervision to insure expeditious delivery to proper destination. General Magruder ⁵ being informed of gist this message and is also being advised of the necessity of preventing public statements or attitude of any American mission member from offending the authorities of China or other associated powers. Acknowledge this message.”

HULL

893.24/1266

Memorandum of Conversation, by the Chief of the Division of Far Eastern Affairs (Hamilton)

[WASHINGTON,] January 15, 1942.

Mr. Hayter ⁶ of the British Embassy called at his request. He said that he wished to communicate information in regard to a situation

¹ For correspondence concerning the Lend-Lease Agreement between the United States and China, signed June 2, 1942, see pp. 566 ff.

The operation of Lend-Lease was a function of the Lend-Lease Administration and the role of the Department of State was one of consultation. The documents here published, therefore, show only some aspects of the operation of Lend-Lease aid to China.

² Gen. George C. Marshall, Chief of Staff, United States Army.

³ Member of United States Military Mission to China.

⁴ Generalissimo Chiang Kai-shek, President of the Chinese Executive Yuan (Premier) and Supreme Allied Commander in the China Theater.

⁵ Brig. Gen. John A. Magruder, Chief of United States Military Mission to China.

⁶ First Secretary of the British Embassy.

which had been unpleasant but which had ended satisfactorily. He then proceeded to say that, some time ago when the S. S. *Tulsa* was at Rangoon, the Governor of Burma had information indicating the likelihood of an imminent Japanese air attack; that consequently the Governor of Burma felt it important that the *Tulsa*, which carried American Lend-Lease goods consigned to China, be unloaded as rapidly as feasible and that the goods be not left on the wharves but be transported promptly to some inland place where they would be less exposed to Japanese air attack; that Colonel Twitty, American Army officer at Rangoon, had been consulted by the Governor and had expressed agreement; that it was very difficult to get in touch with representatives of the Chinese Government; that the only Chinese official with authority and a willingness to make decisions was ill; and that the Lend-Lease goods of the *Tulsa* were by order of the Governor unloaded from the *Tulsa* and removed inland. Mr. Hayter continued that the Chinese Government and Chiang Kai-shek, when they heard of this, had been quite upset; that T. V. Soong⁷ here had seen Prime Minister Churchill; and that Prime Minister Churchill had sent out telegrams in regard to the matter.

I commented that from the reports which I had seen of the case it was my recollection that there had been involved Lend-Lease materials in addition to those on the S. S. *Tulsa* and that these Lend-Lease materials had been taken over by the British. Mr. Hayter was rather vague on this point. He mentioned that General Brett⁸ and General Wavell⁹ had been passing through Rangoon about this time and that they had indicated concurrence in the procedure adopted by the Governor of Burma. Mr. Hayter said that the American Army officers in Burma had indicated a willingness to go farther in the matter of taking action with reference to China Lend-Lease supplies than the Governor of Burma.

I told Mr. Hayter that this Government's attitude was that Lend-Lease supplies consigned to China should go forward to China and that no interference or diversion of such supplies should be made except after and on the basis of full consultation with the Chinese Government. Mr. Hayter said that that also represented the attitude and policy of the British Government. He said that the British Government had sent instructions to the British Ambassador at Chungking to inform Chiang Kai-shek that the British Government would of course not interfere with Lend-Lease supplies consigned to China, except in a case of great emergency where the safety of the supplies or the safety of a situation of vital interest to all was urgently in-

⁷ Chinese Minister for Foreign Affairs.

⁸ Maj. Gen. George H. Brett, Chief of U. S. Air Corps.

⁹ British Commander in Chief in India.

volved. I commented that we thought it very important that the Chinese Government be treated in every way possible as a full equal and that it seemed preferable to me, rather than to state an exception in the way which Mr. Hayter had outlined, to suggest some affirmative measure which would take care of a vital emergency situation. I said that I understood that our Army authorities had suggested to Chiang Kai-shek that he arrange to have some representative in Burma who could, in the event of there developing an acute emergency situation, confer on behalf of Chiang Kai-shek with appropriate British and American officers there and make decisions. Mr. Hayter said that that was also their idea.

Mr. Hayter concluded by saying that yesterday afternoon T. V. Soong had told him that he now considered the matter closed.

M[AXWELL] M. H[AMILTON]

893.24/1267a : Telegram

The Secretary of State to the Consul General at Rangoon (Schnare)

WASHINGTON, January 24, 1942—4 a. m.

40. For Lt. Colonel St. John, AMMISCA from Adams.¹⁰

Begin paraphrase. All lend-lease items of a critical nature at Rangoon should be moved by you to the interior of China by every means available to you. The above is a direction of the Secretary of War. To accomplish this lend-lease funds necessary for wages, bonuses and transport may be obligated by you through Major Haywood, such action on your part being authorized, as a military necessity. The above is being communicated to Magruder. End paraphrase.

HULL

893.24/1268

Memorandum of Conversation, by the Assistant Chief of the Division of Far Eastern Affairs (Mackay)

[WASHINGTON,] January 27, 1942.

Mr. Hayter telephoned to Mr. Mackay and, after referring to his conversation with Mr. Hamilton on January 15 in regard to the attitude of the British authorities in Burma toward American Lend-Lease supplies consigned to China, said that as the Chinese Government had been made aware of the various factors which had occasioned the removal by the British authorities of Lend-Lease supplies con-

¹⁰ Maj. Gen. Emory S. Adams, Adjutant General, U. S. A.

signed to China, and as in consequence thereof misunderstanding and ill-feeling on the part of the Chinese had been dissipated, the British Government, contrary to its original intention, had decided that it was no longer necessary or advisable to approach General Chiang Kai-shek in regard to the matter and that therefore no such approach would be made.

Mr. Mackay thanked Mr. Hayter for bringing this development to the attention of the Department.

893.24/1282b : Telegram

The Secretary of State to the Consul General at Rangoon (Schnare)

WASHINGTON, February 5, 1942—11 p. m.

58. Please transmit a paraphrase of the following message from General Marshall to Colonel Adrian St. John :

“Reports indicate that commendable progress has been made in speeding up the northward movement of lend lease materials from Rangoon. Have emergency preparations been made to destroy or render useless any lend lease materials that might be remaining in that area in the event that imminent capture should so require? Preparatory plans, developed in collaboration with proper Chinese and British authorities, should be thorough and practical. You are authorized, through your disbursing officer, to obligate sufficient lend lease funds to insure effectiveness of such plans. Magruder has been informed. Acknowledge.”

HULL

893.24/1278a : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, February 9, 1942—11 p. m.

85. “Personal from the President to Generalissimo Chiang Kai-shek. We are rapidly increasing our ferry service to China via Africa and India. I can now give you definite assurances that even though there should be a further setback in Rangoon, which now seems improbable, the supply route to China via India can be maintained by air.

The whole plan seems altogether practical and I am sure we can make it a reality in the near future. Roosevelt.”

HULL

893.24/1290 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, February 25, 1942—noon.

[Received February 25—9:39 a. m.]

157. The Embassy has received through the American military mission copy of letter addressed to General Ho Ying Chin¹¹ by the Chief of the British Military mission.

The letter reads in substance as follows:

Terms in summary of the agreement reached between the Government of India and the Generalissimo.

1. Available facilities will be provided for [by] India by [for] the forwarding of materials to China by land, sea and air. India will provide storage facilities for Chinese Lend-Lease materials at Calcutta, other Indian ports and at road heads in Assam as needed.

2. In addition to the Imphal-Kalewa road, a road from Ledo to Lungling via Fort Hertz and Myitkyina will be constructed.

3. At Karachi, India, will assemble aircraft for China and will fly them to Calcutta where Chinese pilots will take them over or will arrange for Chinese pilots to fly them across India.

4. To facilitate signal traffic concerning the movement of Lend-Lease planes between India and China, joint Sino-Indian war press station will be constructed.

5. A wireless transmitter will be provided at Calcutta to handle Lend-Lease signal traffic for Lashio, Kunming and Rangoon. Priority facilities will be given Chinese representatives at Calcutta and Colombo sending Lend-Lease messages.

6. It is agreed by the Government of India that China will be permitted to use airdromes in the Sadiya area in Assam for military, passenger and freight planes. With regard to items 3, 4, 5 and 6, detailed arrangement will be made direct between India and China.

The letter requested the names of Chinese representatives selected to proceed as soon as possible to New Delhi to discuss the details of the installation of the wireless transmitter sets.

GAUSS

893.24/1303 : Telegram

The Chargé in the United Kingdom (Matthews) to the Secretary of State

LONDON, March 18, 1942—10 p. m.

[Received March 18—7:35 p. m.]

1297. For Hopkins¹² and Stettinius¹³ from Harriman.¹⁴ Wellington Koo, Chinese Ambassador to Great Britain, has advised me that

¹¹ Chinese War Minister and Chief of Staff.

¹² Harry Hopkins, Special Assistant to President Roosevelt.

¹³ Edward R. Stettinius, Jr., Lend-Lease Administrator.

¹⁴ William Averell Harriman, Special Representative of President Roosevelt to facilitate material aid to the British Empire.

he has been attempting to get certain munitions from Britain with only partial success. He has recently been advised that these requests must now go to the United States first. On the other hand, it is apparent that certain of these items can be supplied at the present time only from British production, for example twenty-five pounders. He would appreciate it if you would give the matter attention to the end that when Dr. Soong presents the requests they will be acted upon promptly in so far as items that the United States can supply, and those that the United States cannot supply will be referred promptly to the British. [Harriman.]

MATTHEWS

893.24/13184

The Chinese Minister for Foreign Affairs (Soong) to the Under Secretary of State (Welles)

[WASHINGTON,] April 20, 1942.

DEAR MR. WELLES: In connection with our talk this afternoon, I am enclosing copy of a message to Mr. Lauchlin Currie,¹⁵ dated Chungking, April 19th, which I think will interest you.

With kind regards [etc.]

TSE VUN SOONG

[Enclosure]

TELEGRAM FROM MADAME CHIANG KAI-SHEK TO DR. LAUCHLIN CURRIE,
DATED CHUNGKING, APRIL 19TH

"Few days ago in reply to Generalissimo's enquiry War Department through Bissell¹⁶ stated that no Lend-Lease planes designated for China can or will be given to third party regardless of pressure without consent of Generalissimo. But today Bissell presented War Department memorandum purporting that aside from maintaining personnel and equipment A. V. G.¹⁷ full strength consisting 80 planes it intends divert remaining pursuit planes originally meant for China through Lend-Lease to the U. S. Tenth Air Force for protection invasion North East India and avoid risk of destruction British Eastern Navy. Believe you should know Generalissimo shocked at suggestion since in his message to the President he urged immediate despatch 300 additional planes support Chinese Expeditionary Force. Generalissimo most strongly opposes War Department move and expressed himself to Bissell as follows: First, Chinese nation has waited

¹⁵ Administrative Assistant to President Roosevelt.

¹⁶ Brig. Gen. Clayton L. Bissell, Senior United States air officer on staff of Gen. Joseph W. Stilwell, Commanding General, U. S. Army Forces in China, Burma, and India.

¹⁷ American Volunteer Group.

patiently anxiously for arrival planes for over year while Chinese Army already disgruntled because since formation A. V. G. all planes sent protect Rangoon and Burma instead of the Chinese front. If any Lend-Lease planes diverted to Tenth Group people and Army will feel themselves robbed widow's mite and will certainly resent not being treated as worthy ally who has unstintedly given all to common cause. Second, if planes necessary to defend India, etc., why not take from lot assigned to Russia or Britain who are receiving thousands from America instead of from paltry few designated for China. Third, Chinese Army and people are asking with all aid from America what has Britain contributed to Allied cause. Please inform President Generalissimo's attitude. Today British Army in Burma again retreated even from Magwe and all oil fields lost."

893.24/1318½ : Telegram

*Mr. Lauchlin Currie, Administrative Assistant to President Roosevelt,
to Madame Chiang Kai-shek*

[Paraphrase]

[WASHINGTON,] April 20, 1942.

General Arnold¹⁸ assures me that any decision with reference to the disposition of any airplanes on the Chinese program rest with the Generalissimo and Stilwell. Arnold believes that the 209 pursuit planes sent, plus 40 more in 10 days, will be more than the A. V. G. can handle immediately. He hopes, therefore, that some of them will be diverted to General Brereton¹⁹ who is under Stilwell's command. He put this forward, however, only as a suggestion.

893.24/1335b

The Secretary of State to Mr. J. Franklin Ray, Jr., of the Lend-Lease Administration

WASHINGTON, May 16, 1942.

MY DEAR MR. RAY: The Deputy Lend-Lease Administrator has advised the Department of State that he has instructed you to proceed to Chungking, China, via New Delhi, India, on business for the Lend-Lease Administration. I take pleasure in advising that you have been attached to the American Embassy at Chungking for the duration of your mission as Special Assistant to the American Ambassador.

¹⁸ Lt. Gen. Henry H. Arnold, Commanding General, United States Army Air Forces.

¹⁹ Maj. Gen. Lewis H. Brereton, commanding U. S. Army Air Forces in Far East.

You will carry out your mission under your instructions from the Lend-Lease Administration. However, you will be expected to cooperate closely with the American Embassy at Chungking and with the American Mission at New Delhi, and your work in these countries will be under the general supervision of the Embassy and of the Mission, respectively. The mail and telegraph facilities of these offices will be placed at your disposal and all communications between you and the Lend-Lease Administration in Washington will be sent through these channels.

[Here follow instructions regarding pay, travel, etc.]

Sincerely yours,

For the Secretary of State:

G. HOWLAND SHAW

Assistant Secretary

893.24/1361 : Telegram

The Chargé in India (Merrell) to the Secretary of State

NEW DELHI, June 21, 1942—4 p. m.

[Received June 22—8:17 a. m.]

406. For Currie from Ray.

"1. After some discussion of program for handling China supplies in India:

(a) Service of supply staff under Wheeler²⁰ will receive all cargo including Universal Trading, Foo Shing, National Resources Commission and Red Cross at Indian ports, unload, store, guard and forward them to Wheeler's staff at Kunming for checking and transfer to appropriate Chinese authorities. Airforce responsibility will be plane operation only.

(b) Chinese Board with Chungking headquarters and representatives in India will determine import priorities.

(c) Wheeler will use maximum Indian facilities and labor under reverse Lend-Lease procedure with full support of Eric Dunn. Similar arrangements are contemplated in China. All necessary cash outlays will be made by Wheeler.

(d) Any available Chinese assistance within India will be accepted under Wheeler direction. This eliminates rigid defense supplies and China-Burma-[India] administration organizations as such in India.

(e) [Referring?] above program now [to?] Colonel [General] Stilwell for final approval is favored by Commissioner Shen²¹ and Shaughnessy and myself as Wheeler organization commands universal confidence.

²⁰ Brig. Gen. Raymond A. Wheeler, Commanding General of the Services of Supply in China, Burma, and India.

²¹ Shen Shih-hua, Chinese Commissioner in India.

2. Summary of Air Ferry plans.

(a) Pending Wheeler contract puts 5 of 13 China National Airways planes on regular eastward freight service supplementing 28 Army transports. Combined capacity with three trips weekly is 200 tons weekly. During monsoon season entire space believed required to supply expanding American tactical units in China. See current Wheeler cable to Somervell²² on Chinaward delivery possibilities.

(b) Naiden²³ expects to procure 17 additional freighters in July and plans to equalize equipment of Assam-Burma-China Ferry Command operating Dinjan to Kunming with equipment of trans-India Ferry Command operating Karachi to Dinjan which has heretofore monopolized available equipment. Over latter sector railroad service is slow but good.

(c) Naiden disapproves four engined freighters for high altitude service as they would require superchargers which he mistrusts technically.

(d) Wheeler is directing construction of second Assam airfield at Chabui near Dinjan scheduled for completion by Royal Engineers under reverse Lend-Lease about mid-July. Third Assam airfield scheduled for November completion.

(e) Naiden wants to accredit additional airfields near Kunming to balance Assam layout. Shen reports Chinese hesitancy pending military developments in Yunnan since either Japanese advance or retreat would make additional Kunming airfields unnecessary. Both agree re conquest of Northern Burma desirable.

(f) Naiden considers alternate route via Peshawar, Kashgar and Kashmir to Chengtu completely impossible as gasoline cannot be supplied to six stations required.

3. Aircraft maintenance plans.

(a) Adler²⁴ is arranging to take over Bangalore factory for limited manufacture and full maintenance repair and overhaul work on all American made planes in this area regardless of ownership. This plan under reverse Lend-Lease leaves unaffected the Indian Government contract with Pawley²⁵ but provides that we retain title to equipment and supplies added by the Army. And therefore will supply additional mechanics.

(b) Adler is also organizing an army air base unit at Agra and thinks a small advance maintenance unit may eventually be needed in China.

²² Lt. Gen. Brehon B. Somervell, Commanding General, United States Services of Supply.

²³ Brig. Gen. Earl L. Naiden, Chief of Staff, U. S. Tenth Air Force.

²⁴ Brig. Gen. Elmer E. Adler, Commanding Officer, Tenth Air Force Service Command.

²⁵ William D. Pawley, President, Intercontinent Corporation.

4. Miscellaneous.

(a) Wheeler is not being informed of Lend-Lease shipments for India account. I recommend he be provided information copies shipping lists in view his activity in reverse operations in India.

(b) I have found no accurate tally of China cargo in India. Shen and Shaughnessy agree on overall estimate of 45,000 tons.

(c) Shaughnessy is preparing report on aviation gasoline controls in India. Supplies to date appear adequate but all from vulnerable [*sic*] Abadan.

(d) I plan to investigate Delhi reports that China medical supply problem is mainly distribution not shortage. None being forwarded from India now.

(e) Am proceeding Assam today and may visit Calcutta before Chungking."

MERRELL

893.24/1382 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, July 8, 1942—8 p. m.

609. "For J. Franklin Ray from McCabe.²⁶ We are glad to hear of your safe arrival in Chungking.

In view of the critical shipping situation from India to China, the large amount of material in storage in India and the increasing stockpile in the United States, it has been necessary to reassign all standard and critical material and equipment originally earmarked for China for immediate use by our own and other allied forces. This has been carried out for all Lend-Lease material. Tires and tubes for existing vehicles in China and 2,366 tons of oils and lubricants are to be held in storage for shipping at the earliest possible moment. Arsenal material, except copper which has been reassigned to the War Department for the fabrication of 7.92 mm and other ammunition, is to be held in storage until either there is a critical need for it by our own forces or routes are opened for shipment to China. Cotton goods and blankets are likewise to be held in storage for China. All tractors procured for China have been released to the War Department for reassignment.

War Department procured items have been reassigned elsewhere by the War Department and a 3,500 tons a month program for China has been substituted. Third and fourth quarter allocation of raw materials for China have been made with the understanding they will not

²⁶ Thomas B. McCabe, Deputy Lend-Lease Administrator.

be claimed unless shipment into China can be made. Such items as tire retreading plants and oil reclaiming plants are the only orders being expedited through Treasury Procurement.

Cash purchases for China have been limited to items of direct military importance. All orders already placed are to take their normal course through production without an increase of ratings, until such time as routes are open or Air freight facilities are increased."

HUIA

893.24/1412

The Indian Agent General (Bajpai) to the Chief of the Division of Near Eastern Affairs (Alling)

WASHINGTON, July 10, 1942.

MY DEAR MR. ALLING: Sometime ago, it was brought to our notice that, on account of the current shipping shortage and its effect on the United States programme of aid to China, the Administration wished us to consider the practicability of supplying some of China's needs from resources in areas closer to China. The examples of materials that could thus be supplied were saltpetre, acetone, benzol, glycerine, asphalt and tar, tyres and tubes, leather, shellac, canvas duck and webbing, mica, cement, linseed oil, iron and steel products. India being one of the areas near to China, I made inquiries from my Government as to the extent to which they had already helped or could help. They have informed me that the Chinese already have a Purchasing Agency in India, representative of A. J. Bell of the Peking Syndicate, through which orders for textiles, canvas and cotton yarn, of the aggregate value of 1½ million pounds sterling have already been placed in India. In addition, the Government of India have supplied small quantities of textiles machinery and accessories of paper machinery, chemicals and drugs, mica, graphite, brass sheets, paints and varnishes, emery cloth, copper wire, manila ropes and sundry machinery. In addition, the needs of the Chinese Government are under constant investigation of Mr. Bell in close co-ordination with the Supply Department of the Government of India and India would be able to supply shellac, cement, linseed oil, leather other than of the higher qualities and limited quantities of leather belting, insulated copper wire and bensol. Acetone, glycerine, asphalt, tar, tyres and tubes, iron and steel products are not, unfortunately, available. I am passing on this information as it may prove of some interest to you.

Yours sincerely,

G. S. BAJPAI

893.24/1889 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 16, 1942—10 a. m.

[Received 11:36 a. m.]

845. I learn from a reliable source that Central Broadcasting Administration has sent a long telegram to T. V. Soong requesting assistance in obtaining 15 million United States dollars worth of radio equipment under Lend-Lease. Message is stated to have been sent by Chen Kuo Fu, head of Administration, and to have had the approval of Wang Shih Chieh, Minister of Information of Kuomintang. Chen Kuo Fu is one of leaders of so-called "CC"²⁷ clique, the reactionary wing of the party.

I am told the administration now has adequate equipment in use and in reserve and the request being made is designed to provide equipment for political use after war, advantage being taken of Lend-Lease to obtain additional equipment at this time without cost.

I recommend that if this request is put forward by Soong it should be referred to Chungking for checkup before action thereon is taken. A survey of actual needs could be made by Lusey or Brown, radio engineers sent out by COI.²⁸ Lusey at present in East China and Brown has not yet arrived but both of them are expected later to be in Chungking.

GAUSS

893.24/1835 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, July 22, 1942—7 p. m.

657. "For J. Franklin Ray from McCabe. Further to our cable of June 22, no. 295,²⁹ sent you at New Delhi. In view of the policy of not increasing stock pile in India, information from China is necessary for continued procurement and shipment from the U.S. We have a large stock pile of arsenal material on hand:

1. What is the importance and need for this in respect to all aid to China?
2. Will sufficient air priority be granted this material to move it into China from India?

A quarterly forecast of transport tonnage revised and submitted monthly is necessary for clearing and programming material for shipment. A balanced program for air transport plus small extra tonnage to make up for sinkings submitted from China side to C. D. S.³⁰

²⁷ Chen brothers, Chen Li-fu and Chen Kuo-fu.

²⁸ Coordinator of Information.

²⁹ Not printed.

³⁰ China Defense Supplies.

and OLLA ²¹ would be extremely useful. Unable to work out a program with C.D.S. here until forecast of monthly air transport tonnage is submitted regularly.”

HULL

893.24/1397 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 28, 1942—10 a. m.
[Received 12:13 p. m.]

878. For McCabe from Ray. Replying to your 657, July 22.

1. There is serious need for arsenal materials in China second only to acute need for supplies for maintenance of and expansion of American air force. Visits to seven representative arsenals and three talks with General Yu Ta Wei convince me that arsenal materials need for rest of 1942 can be almost completely met by (1st) using inventories now at arsenal and (2d) moving supplies now at Yunnan to the arsenal.

2. Priority on air freight movement into China of CDS supplies as distinct from American Army supplies are set by the Chinese Board per my last telegram. As stated therein first priority has been assigned to rifle powder, copper, zinc, and bullet cups, all for making small arms ammunition. None of these items shipped into China during July as all available eastward space devoted to supplies and personnel for American air force here. This condition is likely to continue during third quarter.

Present stocks of priority arsenal materials in India appear sufficient for several months of freight movement into China when started. You may therefore wish to resume shipment of arsenal materials from America to replenish stockpile in India only when movements into China have commenced which is unlikely before October.

3. Forecast of air transport space available to move CDS supplies into China is impossible because of unpredictability of space to be preempted by American air force supplies.

(Greater strategic importance of latter causes constant pressure to expand same despite resulting postponement of arsenal material shipments!)

4. Will report actual July air freight movements by Army and CNAC ²² next week.

5. Currie has seen this message. [Ray.]

GAUSS

²¹ Office of Lend-Lease Administration.

²² China National Aviation Corporation.

893.24/1440

The British Embassy to the Department of State

Mr. Ashley Clarke of the Foreign Office sent a letter to Dr. Hornbeck on July 7th³³ in which, among other things, he referred to the question of air communications between India and China. In this letter Mr. Clarke said that the Foreign Office were still awaiting further details about the rate at which the transport aircraft carrying supplies between India and China were actually operating.

Mr. Clarke has now written to the Embassy saying that some further information on the subject has been received from India which would seem to indicate that the quantities of supplies to be carried will be slightly higher than those previously indicated by General Brereton. Mr. Clarke has suggested that the State Department might be interested to have this additional information. It is to the following effect.

The total number of aircraft operating at present is twenty-one, including twelve of the United States of America Ferry Command. Flights have been irregular owing to monsoon conditions. By the end of the year it is estimated that possibly seventy-five aircraft of the Ferry Command will be operating plus twenty-five to be operated by C. N. A. C. with a frequency of one trip per aircraft per day.

The freight for China consists of war stores ordered according to priorities laid down by General Stilwell. Exact tonnage figures are not available, but air headquarters in India estimate that the present twenty-one aircraft when fully employed could carry 130 tons per week during the monsoon, while after the monsoon twelve tons per aircraft per week would be a reasonable target. The freight which is at present being carried from China to India consists of tin and tungsten.

The main factors at present limiting the development of the service are the monsoon conditions and signal facilities, which are, however, now being improved. As regards aerodromes, it is hoped that if expected progress is made in construction the aerodrome capacity should be sufficient for the estimated number of aircraft.

In his letter to the Embassy Mr. Clarke pointed out that it may well be that more up-to-date or more exact figures and estimates are in the possession of the United States authorities. Should that be the case the Foreign Office would be very interested to be informed of these figures. The Foreign Office would also, Mr. Clarke emphasises, be very glad to know if there are any ways in which the State Department think that they could assist in this question of improving the means of air communication between India and China.

WASHINGTON, August 10, 1942.

³³ Stanley K. Hornbeck, Adviser on Political Relations; letter not found in Department files.

893.24/1440

The Department of State to the British Embassy

Reference is made to the British Embassy's memorandum of August 10, 1942 in regard to the question of air communications between India and China.

It is the understanding of this Department that operating conditions on the India-China route are subject to so many vicissitudes of weather and military and other developments that statistics in regard to these operations are subject to frequent change. We are informed that the United States Army Ferry Command supplies current reports to the United States War Department and that these reports are available to the Combined Chiefs of Staff.

The Department has noted the Embassy's statement that the Foreign Office would be very glad to know if there are any ways in which this Department considers that the Foreign Office could assist in the question of improving the means of air communication between India and China. Although the question of assuring adequate supplies to China involves primarily considerations of a military nature, it is believed that officials concerned with Far Eastern political relations can be of considerable assistance to the military and other agencies which are most directly charged with responsibility in this matter. In our opinion, the furnishing of supplies to China through India is a matter of important significance to the war effort of the United Nations and constitutes a problem the solution of which involves continuing and increasing cooperative effort among this Government, the British Government, the Government of India, and the Chinese Government.

The cooperative spirit manifested in the British Embassy's memorandum under reference is appreciated.

WASHINGTON, September 19, 1942.

893.24/1452a : Telegram

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

WASHINGTON, October 15, 1942—11 p. m.

960. The following from Stettinius for J. Franklin Ray. Through UTC⁸⁴ we have received numerous requests from various agencies in China to ship cash purchase material now being stored here to India. Although tonnage involved is greatly in excess of air transport capacity each agency has assured us that it will be able to arrange air transport into China.

⁸⁴ Universal Trading Corporation.

Will it be possible, in China, to investigate the possibility of clearing all such requests through a central agency or through Air Transport Priority Board for approval subject to limitations of emergency air program?

It is the policy of the War Department that unless it can be put into operational use in the near future no stock pile of material shall be accumulated in India. We follow War Department's policy. Before additional indirect military supplies will be shipped from the U. S. we must receive indications of ability to move material into China. This is necessary in view of the large stockpile in India.

Will you be able to supply information regarding Air Priority Board as follows: 1—Membership; 2—How it functions; 3—General priority list?

With his party Dr. T. V. Soong is departing for China immediately.

We are interested in having accurate monthly reports covering air cargo shipments between China and India with an indication of the type of cargo. From what source can we get this information?

In Chungking, what confirmation have you concerning Soviet agreement to permit Chinese lend-lease material to be transported to China from India by way of Turkestan-Siberian Railroad and Sinkiang Highway? ³⁵ [Stettinius.]

WELLES

893.24/1470

The Ambassador in China (Gauss) to the Secretary of State

No. 729

CHUNGKING, November 17, 1942.

[Received December 14.]

SIR: I have the honor to enclose for the information of the Department, copy of a confidential memorandum submitted to me by Mr. John S. Service, Third Secretary of the Embassy, reporting observations made during his recent trip to the northwest, on the alleged misuse and misappropriation of lend-lease and relief supplies sent to China.³⁶

Soon after the fall of Burma to the Japanese, it was reported here that in the haste and confusion of evacuating Rangoon and other points in Burma and of endeavoring to move deeper into China the large quantities of lend-lease and relief supplies accumulated at Rangoon and other points—including places inside the Chinese border—quantities of equipment and supplies were abandoned or fell into private hands and were being offered for sale in Kunming and

³⁵ For further correspondence on this subject, see pp. 591 ff.

³⁶ Not printed. It reported evidence of Red Cross cloth and quinine being improperly sold, jeeps in use by persons not in military uniform, aviation tools for sale, and lack of care of lend-lease trucks.

other places in Free China. It was reported, for example, that lend-lease motor cars, trucks and "jeeps" could be had at Rangoon for the asking or taking, and that all manner of supplies were similarly available to those who could or would move them to prevent their falling into the hands of the Japanese.

For a time there was considerable comment and criticism on this subject heard at Chungking; but the Embassy is not in possession of information to confirm that any substantial volume of equipment or supplies came into the possession of private persons. Lend-Lease operations in China at that time were under the supervision of Brigadier General John Magruder, U. S. A., head of the American Military Mission. No information on the subject was communicated to the Embassy by General Magruder.

There have also been reports from time to time that medical supplies provided by the American Red Cross and other American relief organizations have gotten into private hands and were being sold at extortionate prices. The Military Attaché, when he returned recently from a visit to the Chekiang-Kiangsi front, informed me that while there were no medicines or medical supplies for the troops, quinine and such drugs were being sold on the streets of the cities and towns, at very high prices. I know that the American Red Cross and other relief organizations have been alert to the rumors circulating from time to time that medicines intended for relief purposes were being sold privately. I have no doubt that they have taken and will continue to take all possible measures to prevent supplies reaching private hands for sale; and I do not believe that the more responsible Chinese organizations to which supplies are distributed are parties to such misappropriation.

In a country such as China, and with large quantities of supplies being handled, it is not surprising that some supplies may be stolen or misappropriated and sold for private gain.

In transmitting the enclosed memorandum from Secretary Service, I do not wish to suggest that any serious situation exists as to lend-lease and relief supplies; but it is well to record the reports which have reached the Embassy from time to time as well as the observations made by Mr. Service on his trip to the northwest.

In connection with this general subject, I might mention that some months ago the *New York Times* local correspondent at Chungking, who is somewhat inclined to exaggeration and to a florid type of reporting, filed a message to his paper stating that lend-lease and relief supplies from Burma were being sold privately in Free China, that steps had been taken by the Chinese authorities to detect the unauthorized possession of such goods, and that the measures taken were so drastic that in Chungking persons appearing in "shorts"

fashioned of a cloth supplied only for military purposes were being made by the police publicly to remove the garments and hand them over.

This telegram appears to have slipped past the censors and to have been published in New York with a resulting sharp complaint from Dr. T. V. Soong to the Generalissimo. Dr. Hollington Tong, Vice Minister of Information, in charge of press cable censorship, was held accountable for the report having been passed by the censors. Dr. Hollington Tong telephoned to the Embassy and asked that I be informed that he proposed to withdraw the press-telegraph card of the *New York Times* correspondent. I advised quietly against any such action, pointing out that the *New York Times* was most friendly and favorable to China in its editorial and news policy, and that the withdrawal of facilities accorded to its correspondent would not serve the best interests of China. I suggested that if the *Times* correspondent had transmitted a false report and was unwilling to correct it, the matter might appropriately be taken up with the *New York Times* through this Embassy or the Chinese Embassy in Washington. I heard nothing more of the matter. The *Times* correspondent did not approach the Embassy in regard to it, nor was he informed of the approach made by Dr. Tong and the advice given.

I cite this incident merely to indicate the supersensitiveness of the Chinese to criticism of misappropriation of lend-lease and relief supplies. Such misappropriation undoubtedly exists, but I am unable to say that it has at any time reached any substantial volume.

Respectfully yours,

C. E. GAUSS

EFFORTS TO ESTABLISH A SUPPLY ROUTE TO CHINA
VIA IRAN, THE SOVIET UNION, AND SINKIANG

893.24/1314: Telegram

*The Ambassador in the Soviet Union (Standley) to the Secretary
of State*

KUIBYSHEV, April 10, 1942—2 p. m.
[Received 4:30 p. m.]

302. I was informed by the Chinese Ambassador¹ last evening that his Government has proposed to the Soviet and British Governments that war supplies should be sent into China by way of Iran, the Caspian Sea and the railroad leading therefrom to Tashkent and thence overland via the Urumchi route and that this proposal has also been brought to the attention of our government. He said that inasmuch as the difficulties of transportation by this route are recognized the Chinese Government had limited its request to 4,000 tons of supplies a month.

STANDLEY

893.24/1322: Telegram

*The Ambassador in the Soviet Union (Standley) to the Secretary
of State*

KUIBYSHEV, May 2, 1942—10 a. m.
[Received 4:37 p. m.]

350. My 302, April 10, 2 p. m. The Chinese Ambassador stated today that the question of the supply lines was still under consideration by the Soviet authorities and I expressed the personal opinion that the Soviet Government was reluctant at this time to facilitate the movement of supplies to China through the Soviet Union for fear of provoking the Japanese.

STANDLEY

¹ Shao Li-tzu.

893.24/1327: Telegram

*The Ambassador in China (Gauss) to the Secretary of State*²

CHUNGKING, May 8, 1942—10 a. m.

[Received May 8—6:40 a. m.]

527. During a conversation with Political Vice Minister of Foreign Affairs³ on Wednesday I learned that China has been endeavoring for some time to arrange for movement of oil and supplies through Iran and Soviet Russia for transport thence by the northwest route into China, that the Russians have been procrastinating in the matter, that China sought British assistance, that Britain has suggested to China that as Russia is in need of tin it would be desirable that China offer Russia tin which China cannot now ship to the United States, and that the British mission in Washington and Chinese Embassy are taking up this matter with our Government to obtain release of tin earmarked for the United States. Vice Minister hoped that this might lead to Russians consenting to transport Chinese supplies over Turk-Sib Railway but has no assurance to that effect. He says that for the first few months China could move about 4,000 tons a month by northwest route and later increase tonnage to 8000. He expressed hope that American Government will do anything it can to further the proposal to send supplies to China via Russia.

GAUSS

893.24/1322: Telegram

The Secretary of State to the Ambassador in the Soviet Union (Standley)

WASHINGTON, May 9, 1942—7 p. m.

217. Reference your 302, April 10, 2 a. m. [*p. m.*], and 350, May 2, 10 a. m., which have been repeated by the Department to Chungking.

The Counselor of the Chinese Embassy on May 6 presented to the Department an informal request of the Chinese Government that this Government, if it considered it practicable, employ its good offices in this matter with the Soviet Government.

With the severing of the Burma Road, which has been China's chief channel of communication and supply with the outside world, the importance to China and to the cause of the United Nations as a whole of maintaining a continuous flow of essential military supplies to China by all possible available means cannot be too strongly emphasized. The Department therefore desires that, in your dis-

² Repeated by the Department to the Embassy in the Soviet Union as telegram No. 225, May 15, 3 p. m.

³ Foo Ping-sheung.

cretion, you avail yourself of suitable opportunities in conversations with appropriate Soviet officials to support informally the efforts of your Chinese colleague to prevail upon the Soviet Government to cooperate in facilitating the movement of supplies to China through the Soviet Union.

HULL

893.24/1327a : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Standley)*

WASHINGTON, May 15, 1942—2 p. m.

224. Following is a paraphrase of a message from Foreign Minister T. V. Soong for the Chinese Ambassador:

It is requested that you transmit to Foreign Commissar Molotov or to appropriate Russian officials the following communication:

(1) The transportation through Russia of some urgent Lend-Lease supplies for China is becoming a matter of vital need because of the difficulties as well as the threat to the route to China from India.

(2) It would be most preferable to China that such supplies be flown from Nome, Alaska, to Hami by way of Irkutsk, Siberia. An alternative air supply route would be from Karachi by way of Iran or Afghanistan to Samarkand, and then into China north of the Himalaya Mountains.

(3) United States airplanes can be furnished to run these routes and United States crews and pilots can also be furnished unless the Soviet Government prefers to furnish Soviet crews and pilots. It would be hoped by China that some airplane gasoline to run these routes could be obtained from Russia, or, if this could not be done, that there be arranged suitable transportation of United States airplane gasoline to key places along the route.

(4) Will the Russian officials be agreeable to giving the required assistance and approval in setting up these routes and will those authorities authorize Mr. Litvinoff, Soviet Ambassador here, to discuss and determine the question with us and with the American authorities?

(5) Besides these vitally important air routes which it is hoped may be built up as quickly as possible from small beginnings, we would like to get the opinions of the Soviet officials concerning the feasibility of sending Lend-Lease material to China by the following three land routes, assuming that we furnish American trucks for these routes, and also gasoline, some of which would come from America and some from Russia:

(a) The route of the Iran-Soviet Railway which commences on the Persian Gulf at Bandar-Shaphur and runs to Bandar-shah through Teheran by the Trans-Iranian Railway. From Bandarshah steamers on the Caspian Sea can transport supplies to Krasnovodsk where they could be transhipped by the Soviet Railway to Sargiopol. It is proposed at first to transport daily 250 tons, later increasing this amount to 500 tons when facilities for handling through transportation to China improve.

(b) The route from Karachi to Zahidan to Ashkhabad. Supplies would go by rail from Karachi to Zahidan where the 750 mile all-weather road connects with the Ashkhabad Soviet railroad to Sargiopol. It is proposed to transport by this route 100 tons daily, which would be increased later to 250 tons.

(c) The route commencing from Eastern United States ports by North Europe, going through the Arctic Ocean to the ports on the Yenisei and Ob Rivers, from which points transshipment by river boats connects with the intersection of the Trans-Siberian Railway, at Krasnoyarsk for example; then by railroad to Sargiopol. It is understood that navigation on the Yenisei River is possible to Igarka, 500 miles interior, for vessels drawing 23 feet. The weather, however, permits navigation only in the months of July and August and only a limited quantity, say 30,000 tons, can be delivered. It is therefore urgent that a favorable decision be obtained at once. The chief materials to be sent over this route immediately would probably be aviation gasoline for use on the air transport route through Siberia.

(6) It is also desired that there be discussed the feasibility of combining some of the air and land transportation routes proposed above, in order that the routes might be in part air transport and in part land transport.

HULL

893.24/1334 : Telegram

The Ambassador in the Soviet Union (Standley) to the Secretary of State

KUIBYSHEV, May 22, 1942—6 p. m.

[Received May 22—4:10 p. m.]

432. Department's 217, May 9, 8 [7] p. m. I endeavored to impress upon Vyshinski⁴ yesterday the hope of my Government that the Soviet Government would do everything possible to facilitate the movement of supplies to China through the Soviet Union. Vyshinski stated that he was not fully acquainted with all the details of the problem but would willingly inform the interested Soviet authorities of the concern of the American Government in the matter.

STANDLEY

893.24/1327 : Telegram

*The Secretary of State to the Ambassador in China (Gauss)*⁵

WASHINGTON, May 23, 1942—6 p. m.

424. In view of the increasing importance of the overland and air routes between China and the USSR, both as regards supplies for

⁴ Soviet Assistant Commissar for Foreign Affairs.

⁵ Similar telegram sent to the Ambassador in the Soviet Union as No. 243 on the same date.

China and raw materials for the United Nations, the Department urgently desires to receive by telegraph all available pertinent information which might assist it in evaluating the actual and potential traffic capacity of these means of transport.

Please describe in essential detail available routes, naming termini and important junctions, together with estimates of amounts and kinds of cargo moving now and in proximate future, factors affecting flow of traffic such as necessity for provision of gasoline, etc., and any other items bearing on the subject. Have you any suggestions as to steps which the Department might take to expedite such transport?

The Department has noted the data in your no. 527, May 8, 10 a. m. A similar inquiry is being made at Kuibyshev.

HULL

893.24/1338 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, May 29, 1942—9 a. m.

[Received 2:53 p. m.]

627. Department's 424, May 23, 6 p. m. The overland route from China to the USSR begins at Lanchow, Kansu, and ends at Alma Ata in Russian Turkestan. The distance is about 3000 kilometers (distance from Lanchow to Chungking is 1734 kilometers). Main termini moving westward are Suchow, Hsinghsinghsia (on Sinkiang border), Hami, Tihua (Urumchi), and Hoerhkuossu (on Sinkiang border). Chinese report road in good condition. There are airfields at places named. In the past Hsinghsinghsia has been junction for Russian and Chinese transport but Chinese now express preference for Hami as junction.

Since outbreak of Russo-German hostilities, amount of cargo moving over route has been negligible. Based on initial monthly transport of 5000 metric tons, Chinese Communications Ministry has worked out plans as follows:

One thousand trucks operating between Hami and Lanchow would carry something over 3000 tons monthly. There are now some 500 serviceable trucks at Lanchow; 500 [not?] in use at Kunming should be transferred to Lanchow. Carts and camels can transport somewhat less than average 2000 tons monthly from Hami to Lanchow. Alma Ata to Hami haul would require about 1500 trucks for 5000 tons monthly. Chinese assume that Russia would provide trucks for this haul. (Actually there are believed to be sufficient trucks—estimated between one and 2000 not now in use in Kunming area that could be used in Sinkiang.)

Gasoline for trucks would be laid down by transport planes operating out of Alma Ata at Hami and other points en route. There is no air service now. Estimate 20 American planes DC-3 type could transport monthly requirement 1500 tons gasoline for trucks. Chinese request that Russians furnish China gasoline against delivery to Russia of gasoline at some other designated place is reported to have been refused. Chinese envisage transport of materials and supplies to Alma Ata from Persian Gulf to Caspian Sea and thence over Turk-Sib railway.

Transport of strategic materials from China over same route would require long haul in as much as most of the materials—tungsten, tin, silk, bristles—originate in south.

The Alma Ata-Lanchow trucking route appears to be most practical. Possible alternate air transport routes Lanchow-Ningsia-Urga-Irkutsk (1500 kilometers) and Kabul through South Sinkiang to Suchow, Kansu.

Two major factors are involved, (1) Russian assent to transit of war materials for China and agreement to transport materials to Alma Ata and (2) supply of gasoline for truck operation between Alma Ata and Lanchow. Other problems such as supply of trucks, spare parts, and tires, et cetera can probably be solved once factors above are resolved.

Embassy will report further on situation as any additional information becomes available.

GAUSS

893.24/1341 : Telegram

The Ambassador in the Soviet Union (Standley) to the Secretary of State

KUIBYSHEV, May 29, 1942—5 p. m.

[Received May 30—3: 15 p. m.]

465. Department's 243, May 23, 6 p. m.⁶ Because of the political factors involved it has not been believed that further direct approach to the Soviet authorities with a view to obtaining the information sought would be productive at the present time (see my 418, May 20, 4 p. m.⁷). The following partial data have been obtained through conversations between the Chinese Military Attaché, Major General Kuo, and Colonel Michela:⁸

By way of preliminary General Kuo stated that estimated shipments over the Burma Road into China had run to approximately 17,000 tons a month. He expressed the opinion that if quantities of materials shipped in by other routes now that the Burma Road is closed should not fall below 10,000 tons a month this would be adequate to replace

⁶ See footnote 5, p. 594.

⁷ Not printed.

⁸ Military Attaché in the Soviet Union.

the loss of the Burma Road to a sufficient degree to "keep China going". General Kuo discussed the following overland routes (reference is made in this connection to the Department's 224, May 15, 2 p. m.); Sergiopol (Ayaguz)—Usu—Hami; Alma Ata—Kuldja—Hami; Osh—Kashgar—Ansi; and Osh—Kashgar—Yarkand—Khotan—Ansi. General Kuo stated that each of these roads has a capacity of 300 3-ton trucks daily in either direction and that the last two (more southerly) routes were the best as food and water were more readily available. So far as China is concerned, gasoline depots could be set up without special difficulty on all the roads. From Hami to Lanchow, he added, it is a 2 weeks' trip one way.

General Kuo also referred to the rail route from Karachi to Rawalpindi, thence to Srinagar, from which point there is a pack trail to Aze into the road between Yarkand and Khotan. Pack animals in quantity are available here, he said, and such materials as ammunition could be carried into China over this route.

The General referred further to the Karachi—Zahidan—Ashkhabad route and also the Karachi—Peshawar (rail)—Kabul—Termez (road)—Bukhara (rail) route, connecting at Bukhara with the Ashkhabad—Osh Railway.

From the foregoing it appears that there are plenty of routes available for the shipment of upwards of 10,000 tons a month of essential materials into China and that the real crux of the situation is the attitude of the Soviet Government with respect to the utilization of its transport facilities for this purpose. Three ships a month putting in at Karachi, Basra and/or Archangel with supplies for China would amply meet the requirement set forth and it is believed that the rail and road transport means could be made available.

As regards the air route Alma Ata—Chungking, reference is made to Military Attaché's report to War Department number 1981, November 10, 1941.⁹ Little is known of the Irkutsk—Hami air route but it is the opinion of Michela that this would be practicable in summer. The northern river routes mentioned in Department's telegram under reference have not been investigated for the reasons stated above but in view of the short time which these are open it is feared that they may remain little more than academic for the present.

STANDLEY

893.24/1346 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, June 4, 1942—10 a. m.

[Received 1:51 p. m.]

659. Embassy's 627, May 29, 9 a. m. Informal conversation with Vice Minister Foreign Affairs confirms reports Russians and Chinese

⁹ Not found in Department files.

have agreed in principle to exchange of Russian gasoline for Chinese strategic materials over Lanchow to Alma Ata motor truck road. Vice Minister states agreement reached for initial shipment 3000 tons of gasoline, Russian trucks to return to Alma Ata with strategic materials.

Chinese here mention discussions in Washington for bringing in Lend-Lease supplies via Siberia.

Further information will be reported when obtained.

GAUSS

893.24/1359 : Telegram

The Ambassador in the Soviet Union (Standley) to the Secretary of State

KUIBYSHEV, June 18, 1942—noon.

[Received 11:35 p. m.]

544. Department's 225, May 15, 3 p. m.¹⁰ The Counselor of the Chinese Embassy has informed Page¹¹ that Lozovski¹² recently advised the Chinese Ambassador that the Soviet Government could not discuss the question of the exchange of Soviet gasoline for Chinese tin until the Chinese Government had settled certain tin and wolfram commitments made under former Soviet-Chinese trade agreements which had not been fulfilled. To this the Chinese Ambassador replied that since these products could no longer be exported to the Soviet Union by sea but had to come by truck, and in view of the shortages in China of gasoline and spare truck parts, it would be impossible for China to fulfill the commitments in question until it had received sufficient quantities of gasoline and spare parts.

The Counselor stated that although no progress has been made in the discussions relative to transit shipments to China the Soviet Government continues ostensibly to desire to keep the question open. He is of the opinion that the refusal of the Soviet Government so far to grant transit rights is based on political and not technical considerations and believes that the Soviet position is attributed not only to a reluctance to provoke Japan but also to a policy, which the Soviet authorities consider politically unwise to alter at this time, of not permitting military supplies to pass in transit through the Soviet Union. This policy was set forth in an order of the Commissariat

¹⁰ See footnote 2, p. 592.

¹¹ Edward Page, Jr., Second Secretary of Embassy in the Soviet Union.

¹² Soviet Assistant Commissar for Foreign Affairs.

for Foreign Trade, dated March 18, 1941, prohibiting the transit shipment of arms, munitions, military supplies, et cetera through the Soviet Union, and was reported to the Department at that time.

As I intend to continue to impress upon the Soviet authorities the interests of my Government in the question of the movement of supplies to China, I would appreciate receiving any recent information on this matter, and especially whether it came under discussion during Molotov's visit.

STANDLEY

893.24/1359 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Standley)*

WASHINGTON, June 22, 1942—10 p. m.

166. Your 544, June 18, noon. We took advantage of Molotov's presence here in order to impress upon him on several occasions how important it is to the common cause that military supplies be allowed to pass in transit through the Soviet Union to China. Although Molotov listened with interest to the remarks made to him on this subject he did not commit the Soviet Government in any way. He promised, however, to discuss the matter with Stalin.¹³

HULL

893.24/1375 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 2, 1942—1 p. m.

[Received 3:41 p. m.]

787. My 627, May 29, 9 a. m. According to Transport Control Board, present total capacity of northwest route to Russia using both motor and animal transport is about 2800 tons per month. Bureau has 600 vehicles at present but only 300 can be operated at one time. If 400 trucks are transferred from Burma road and an additional 400 placed in operation as well the total capacity of the road may be increased to 4400 tons per month. Last figure also allows for cargo to be carried by pack animals and carts but it does not include fuel consumed by trucks en route.

GAUSS

¹³ Iosif Vissarionovich Stalin, Chairman of the Soviet Council of People's Commissars (Premier).

893.24/1376: Telegram

The Ambassador in the Soviet Union (Standley) to the Secretary of State

Moscow, July 3, 1942—noon.

[Received 9:05 p. m.]

232. Department's 217, May 9, 8 [7] p. m. In my conversation with Stalin yesterday, I also took up the question of transit supplies to China through Soviet territory. I stated that my Government felt that it was highly important that China as one of the United Nations should continue in the war but that unless it was able to obtain military supplies from the outside, it would be unable to continue the struggle. I stated that the United States was now flying supplies and munitions into China, that these apparently were not adequate, that Chinese Government desired to obtain supplies either through Iran or Karachi and that eventually these supplies would have to be carried on railroads through Soviet territory.

In answer to Stalin's question as to exactly what supplies were involved, I stated that I was unable to give him any details, that these would have to be given by the Chinese. I added that my Government was particularly concerned in having him give sympathetic consideration to the Chinese requests for transit facilities and I was given the impression that he would do so.

STANDLEY

893.24/1392

The First Secretary of the British Embassy (Hayter) to the Assistant Chief of the Division of Far Eastern Affairs (Salisbury)

WASHINGTON, July 10, 1942.

DEAR MR. SALISBURY: On June 23rd I gave you a copy of a telegram about a proposed supply route to China via Tibet.¹⁴ The Chinese Government have now approached us in regard to two other routes.

2. These routes are both air routes whose terminal point in China would be in the neighborhood of Kashgar. The first would go via Gilgit to a suitable point in India near Peshawar, and the second via Kabul to India or Iran. His Majesty's Government were asked to grant facilities to survey the first route and to approach the Afghan Government in regard to the second.

3. Our Ambassador at Chungking is informing the Chinese Government that the first route is impracticable for aircraft other than stratosphere types, but that the Government of India are prepared to give all necessary facilities towards the establishment of a route from Northern India (Risalpur) to Sinkiang as soon as the requisite

¹⁴ For further correspondence on this subject, see pp. 624 ff.

planes are available. A survey flight by an American plane which happened to be available in India at the time was arranged for June 23rd and 24th, but we have not yet heard whether this actually took place.

4. As regards the Afghan route, our Ambassador is informing the Chinese Government that as a flight from Sinkiang to Kabul would have to cross the Hindu Kush, this route offers no operational advantages over the direct route between India and Sinkiang, in regard to which facilities have already been offered. The Afghan National Assembly in November 1941 passed a resolution that "the use of land or air routes in or through Afghanistan must in no circumstances be conceded", and the Afghan Government therefore seems certain to refuse the request for facilities. For these two reasons the Chinese Government are being informed that His Majesty's Government do not propose to pursue further the question of the Afghan route.

5. It was thought that the above information might be of interest to the United States authorities.

Yours sincerely,

W. G. HAYTER

893.24/1385 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 13, 1942—noon.

[Received 1:05 p. m.]

836. Embassy's 747, June 24, 11 a. m.¹⁵ Dr. Wong Wen-hao¹⁶ and a Chinese military officer are now in Sinkiang negotiating with the Russians regarding transportation of supplies between Alma Ata and Lanchow. The Vice Minister for Foreign Affairs states that discussions of transit of Lend-Lease supplies through Russia is not an objective of Dr. Wong's trip; that he is trying to clear up misunderstandings and get trucks moving over the Sinkiang route with cargo for China (primarily gasoline) and strategic materials for Russia.

GAUSS

740.0011 Pacific War/2639 : Telegram

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

LONDON, July 17, 1942—9 p. m.

[Received 11:25 p. m.]

3972. In discussing the Far Eastern situation with Ashley Clarke¹⁷ he told us of a telegram received recently from the British Ambassa-

¹⁵ Not printed.

¹⁶ Chinese Minister of Economic Affairs.

¹⁷ Head of the Far Eastern Department, British Foreign Office.

dor at Chungking. The latter reported that the flock of current "peace rumors" now circulating in China, which he said is customary in periods of Japanese military success, should not be taken seriously. He said that there were no indications of any early Chinese collapse or of any further deterioration of Chinese morale; on the contrary the improvement in the food situation as this summer's abundant crops came on the market has been helpful.

Ashley Clarke expressed the view that other than the obvious attempt to prevent possible Allied use of bases in China for operations against Japan and the important occupation of the entire Hankow-Canton railway there were no clear indications of intended future Japanese moves. Both for military reasons and internal Japanese political reasons, a termination of the "China incident" is most important but there are no signs that any such development is likely in the visible future or exactly what plans Japan may have to bring it about. There are likewise no signs, he said, of important defections on the Chinese side though the loyalty of a number of Chiang Kai-shek's supporters—he mentioned the Governor of Hunan specifically—may bear watching.

In spite of some increase in Japanese forces in Manchukuo there are no important signs, he said, that any move against Siberia is imminent. Like most British officials he is inclined to think that the Japanese will carefully observe German progress in her Russian campaign before grasping any longed for opportunity to remove the threat of Vladivostok from her back door.

We inquired whether any progress had been made in eliciting Russian cooperation in the matter of supplies and supply routes to China. He replied that the question was one on which the Foreign Office is doing all that it can but so far without success. In the light of other recent developments, he said, the Foreign Office is not in a strong position to insist with the Russians without exposing itself to embarrassing rejoinders. There is no doubt, he went on, that from the long-term point of view Russia realizes its vital interest in the maintenance of Chinese resistance to Japan. From the short-term point of view, however, the lack of greater Russian cooperation, he said, is probably due to several factors. First and most important of these is Moscow's desire to avoid any move which may irritate Japan or tend to tip the scales of Japanese policy toward an attack on Russia's Far Eastern rear. A second factor presumably is that the urgent and immediate attention of all those in authority is concentrated on the growing German threat to Russia's armies and the existence of the régime. A third reason, he said, is a probable Russian desire to keep every available inch of transport space for supplies she so badly needs herself; and the same holds true with respect

to Russian assistance in fuel or motor transport diverted to China. Besides, he concluded, the Russians being "very practical people" probably feel that the small amount of arms and war material which could be made available to the Chinese under the circumstances and over the proposed routes would weigh little in the balance of Chinese resistance or collapse—an argument which of course takes no account of stiffening of morale which might result from even a trickle. Ashley Clarke indicated that the Foreign Office is, however, quite conscious of the importance of China to the United Nations victory prospects and will lose no opportunity to help bolster the Generalissimo.

In this connection, he said, in spite of Tibetan pride in their country's autonomy and their rather anti-Chinese sentiments, arrangements are now being concluded for a pack-mule route from India to China over the Tibetan mountains which should provide small quantities of gasoline, medical supplies and other badly needed materials; it is hoped to get the first mule-train started soon. (The Tibetans have declined to permit the passage over their territory of ammunition, machine guns or other arms.)

WINANT

893.24/1399 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, August 8, 1942—10 a. m.

[Received August 8—7:33 a. m.]

920. Embassy's 836, July 13, noon. Embassy understands from Kwok, Director of Foreign Trade Office of NRC,¹⁸ that agreement has been reached with Russians by Wong Wen-hao (who has not yet returned from northwest) to exchange during this year 2,000 tons strategic materials desired by Russian for equal weight of supplies for China (primarily gasoline) the point of exchange to be Hami, transportation to be by truck.

GAUSS

893.24/1413 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, August 19, 1942—11 a. m.

[Received 10 p. m.]

951. Embassy's 920, August 8, 10 a. m. Wong Wen-hao, Minister of Economics, has given Embassy following information in confidence: Although a formal agreement for exchange of Russian for Chinese products by Sinkiang has not yet actually been concluded, such ex-

¹⁸ National Resources Commission, Chinese Ministry of Economic Affairs.

changes will take place. Exchange will be on simple tonnage basis—about 2,000 tons of Russian gasoline for 2,000 tons Chinese strategic materials during remainder this year—exchange to take place at Hsinghsinghai on Kansu border or Hami, probably former.

With regard to transit of Lend-Lease material through Russian Turkestan to China via Sinkiang, Russians are being evasive.

With regard to air transport recent CNAC¹⁹ flights had clearly indicated feasibility of an air service from Northern India through Sinkiang to Lanchow.

Sheng Shih Tsai, Chairman of Sinkiang Government, is agreeable to Chungking Government personnel supervising all transportation matters within his province.

GAUSS

893.24/1443

The British Embassy to the Department of State

AIDE-MÉMOIRE

In order to facilitate the supply of war material to China from India His Majesty's Government have, as the United States Government are aware, been considering among other routes one which would go from Karachi via Eastern Persia and Meshed to Ashkhabad, and thence via the Turksib railroad to Alma Ata and across North-west China to Lanchow and Chungking.

2. His Majesty's Ambassador to Moscow has for some time been endeavoring to obtain the consent of the Soviet Government to the use of the Soviet section of this route, in support of a *démarche* previously made to the Soviet authorities by the Chinese Ambassador. In view of the close association of the United States Government with China's war effort, it is hoped that the State Department might also consider the possibility of instructing the United States Ambassador in Moscow to make parallel representations to the Soviet Government.

WASHINGTON, September 21, 1942.

893.24/1444

*Mr. Harry L. Hopkins, Special Assistant to President Roosevelt, to
Mr. Elbridge Durbrow of the Division of European Affairs*

WASHINGTON, September 22, 1942.

DEAR MR. DURBROW: The Chinese are very anxious to get our cooperation in the development of a supply route by trucks from Karachi

¹⁹ China National Aviation Corporation.

to Meshed. This will require the Russians to undertake a short truck haul to the Turk-Sib Railway and then by rail to Sergiopol.

What they are trying to do is to get the Russians to handle about 100 tons a day.

The British Ambassador in Moscow has apparently been asked by the British Government to approach the Russian Government to support the request being made by the Chinese Ambassador in Moscow. The Chinese are anxious to have similar instructions sent to Ambassador Standley.

While I think the Russians may hesitate to grant this request, there is no question but what it would be a real help to China and I can see nothing to be lost by our giving them a little help.

There, of course, may be other reasons which would make it unwise to send these instructions to Ambassador Standley.

Cordially yours,

HARRY L. HOPKINS

893.24/1439 : Telegram

The Ambassador in the Soviet Union (Standley) to the Secretary of State

Moscow, September 22, 1942—5 p. m.
[Received September 23—11:55 a. m.]

369. At the Airport just before my departure from Kuibyshev day before yesterday the Chinese Ambassador informed me that the Soviet authorities had told him that they had agreed in principle to permit the Soviet railway system to be utilized for the shipment of merchandise through the Soviet Union in transit to China. He said that they had indicated to him that a conference to discuss the details of such an arrangement would be necessary and that he had requested his government to designate the Chinese delegates to participate in this conference.

Henderson²⁰ has informed me by telegraph from Kuibyshev that the Chinese Counselor has given him the following additional details concerning the progress of Soviet-Chinese economic discussions:

He repeated the Ambassador's statement that the Soviet authorities had told him of their agreement in principle to an economic agreement whereby goods in transit to China could pass through the Soviet Union and of their willingness to enter into a formal agreement as soon as the technical details could be worked out between representatives of the two countries.

²⁰ Loy W. Henderson, Foreign Service Inspector and soon afterward Counselor of Embassy in the Soviet Union.

He stated that the agreement would provide that :

1. 19,000 tons of merchandise could be shipped annually through Krasnovodsk or Ashkhabad by rail to Alma Ata and then by motor to Hami.

2. The Chinese Government would undertake to deliver annually to the Soviet Union 4,000 tons of merchandise including tin, tungsten, silk, wool and tung oil.

3. The Soviet Government would furnish annually 4,000 tons of gasoline and 1,000 tons of lubricating oil for maintaining the truck engaged in transporting the merchandise in both directions.

The Counselor said that it appeared probable that the technical discussions will begin in the near future in Moscow between the Chinese representatives and Mikoyan.²¹ The date and place of the discussion have not yet, however, been definitely determined.

In a conversation which I had with him immediately after my arrival in Moscow the British Ambassador told me that he had also been informed by the Soviet Government that such an understanding had been reached between it and the Chinese.

STANDLEY

893.24/1444

The Secretary of State to Mr. Harry L. Hopkins, Special Assistant to President Roosevelt

WASHINGTON, September 23, 1942.

MY DEAR MR. HOPKINS: I refer to your letter of September 22 addressed to Mr. Elbridge Durbrow of this Department relative to the desire of the Chinese Government to develop a supply route from Karachi through Iran and the Soviet Union to China.

In this connection you may recall that the Department in a telegram dated May 9 requested Admiral Standley to urge the Soviet authorities to give sympathetic consideration to the Chinese proposal to send supplies to China through the Soviet Union. The Admiral in a telegram dated July 3 informed the Department that he had discussed this question with Stalin and had received the impression that sympathetic consideration would be given to the proposal.

On September 21 the British Embassy left an *aide-mémoire* at the Department indicating that the British Government had instructed its Ambassador in Moscow to support the Chinese *démarche* to the Soviet authorities for permission to transit war materials over the Soviet railroad line from Ashkhabad to Alma Ata and suggested that the Department might desire to instruct Admiral Standley to use his good offices in support of this Chinese request. On September 22 a Secretary of the British Embassy telephoned to say that it would no

²¹ Soviet People's Commissar for Foreign Trade.

longer be necessary to telegraph Admiral Standley since the British Foreign Office had just informed the Embassy that the Soviet Government had agreed to the proposal.

A telegram is being sent by this Department to Admiral Standley requesting him to report on this matter.

I shall be pleased to see that any further information regarding this matter is immediately brought to your attention.

Sincerely yours,

CORDELL HULL

893.24/1376 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Standley)*

WASHINGTON, September 23, 1942—7 p. m.

222. Your 232, July 3, noon. The Department has learned informally from the British Embassy that the Soviet Government has agreed to permit transit of war materials to China over the Soviet railway from Ashkhabad to Alma Ata.

Department would appreciate receiving any information you may have on this question and related matters.

HULL

893.24/1439 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, September 24, 1942—8 p. m.

870. We have authoritative reason for believing that the Soviet authorities have agreed in principle to permit use of Soviet railways for shipment of merchandise for transit through Soviet territory into China and that discussions for the formulating of a working agreement, which would involve specified exchanges of goods, are likely to take place in the near future.

HULL

893.24/1446 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, September 29, 1942—10 a. m.

[Received September 29—9:52 a. m.]

1112. Your 870, September 24, 8 p. m. Political Vice Minister of Foreign Affairs volunteered same information to me yesterday in confidence. Agreement in principle apparently obtained by Chinese Ambassador in Russia who has yet to work out detailed arrangement. Vice Minister unable to say whether military supplies would be included.

GAUSS

893.24/1432: Telegram

The Secretary of State to the Ambassador in China (Gauss)

[Extract]

WASHINGTON, October 1, 1942—10 p. m.

897. "Following message from Stettinius²² for J. Franklin Ray:²³

Regarding the supply route via Karachi, Ashkhabad, Sergiopol to Lanchow and Chungking, the negotiations are progressing. The request of the British and Chinese Ambassadors in Moscow to move Chinese material over the Turkestan-Siberian Railroad has been approved in principle by the Soviet Government. Notification of such approval has been made to the Chinese by the Soviet Government.

The ability to move up to 8,000 tons per month of Chinese material to Meshed, Iran has been made known to OLLA by UKCC through London. Regarding the quantity that can be moved on the Turkestan-Siberian Railroad and the details of transportation, no commitment has been made by Russia up to the present time. By the use of gas producers and other trucks in China, the Chinese here inform us that they can move 3,000 tons per month at the present time from Sergiopol. In connection with the transport problems, the Russian Government has instructed CFT to conduct negotiations. BSC, CDS, and OLLA are working on problems from this end.

Could you give us the following information?

1. What is the condition of the northwest highway?
2. What trucking facilities does this route afford?
3. Is it possible to divert gas producers now in China to this route and how many can be diverted?
4. What trade relations by way of Sinkiang exist between the Chinese and the Russians?
5. Please provide all available information concerning northwest highway.
6. What is the gasoline production in Kansu and can this route be supplied from that source?

In the near future it is expected by us to start manufacture for this route of 500 gas producers a month.

For the purpose of moving it into China as quickly as possible, the Chinese desire to move to Sergiopol or Tahcheng, Turkestan as much material as possible. 29,000 tons of arsenal material have been released by us to U. S. War Department on commitment from Patterson²⁴ to make available from War Department allocations similar

²² Edward R. Stettinius, Jr., Lend-Lease Administrator.

²³ Lend-Lease representative on a survey tour in China.

²⁴ Robert P. Patterson, Under Secretary of War.

material when opening of the routes to China is accomplished. 13,000 tons of material of Chinese specifications have been retained by us.

Release for shipment of banknote printing paper has been requested by China. It will be appreciated if you can investigate the facilities for printing currency in China and instruct us regarding whether in place of the finished notes you deem it advisable to ship paper."

HULL

893.24/1449 : Telegram

The Ambassador in the Soviet Union (Standley) to the Secretary of State

KUIBYSHEV, October 2, 1942—3 p. m.

[Received October 4—10:09 a. m.]

842. The British Counselor informed the Embassy yesterday that although the Soviet Government had reached an understanding with the Chinese whereby the Soviet railroad system would be permitted annually to carry 24,000 tons of merchandise in transit to China, the Soviet authorities had now agreed in principle to British proposal relative to the delivery of such supplies via British India, Iran and Russian Central Asia and that this proposal was along the following lines:

1. The development of the road route from Nok-Kundi to Meshed via Zahidan will be completed up to a capacity of 10,000 tons a month provided the Soviet Government agrees that 60% of the supplies delivered at Meshed over this route will be destined for China and that it will undertake the responsibility for the onward transport of these supplies from Meshed to Lanchow. The remaining 40% delivered at Meshed will be consigned to the Soviet Union. As a result, when the full capacity of this route has been reached, China will receive about 6,000 tons a month and the Soviet Union 4,000 tons.

2. Since the transport of supplies from Alma Ata to Lanchow will require trucks, spare parts and other equipment, the British Government will take all possible measures to supply the equipment in question and to grant the necessary delivery priorities upon advice of the Soviet requirements.

STANDLEY

893.24/1452 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, October 14, 1942—3 p. m.

[Received October 17—9:15 a. m.]

1184. Department's 897, October 1, 10 a. m. [p. m.] Ray has not yet returned to Chungking. From Minister [of] Economics and Departmental Chief Ministry [of] Communications, both recently

returned from visit to Sinkiang, Vincent has obtained following information in confidence, particularly with regard to source.

Replying to questions seriatim: 1. Condition of northwest highway is satisfactory. 2. There are only about 300 serviceable trucks in Sinkiang available to Chinese. Hope entertained that Russians might be persuaded to provide trucking facilities. 3. Chinese consider it impracticable to divert gas producers or other trucks from China proper to Sinkiang. 4. Very limited amount of Russian materials (gasoline) now being delivered to Kansu border by Russian trucks and amounts of Chinese cargo (strategic materials) moving toward Russia even more limited. 5. See Embassy's despatches Nos. 443 and 467 of June 4 and 18.²⁵ 6. See Embassy's telegram No. 1167 of October 12, noon.²⁶ Chinese plan to use total Kansu production in transport in northwest exclusive of Sinkiang. Embassy's despatch No. 668 of October 8²⁶ giving some details of Sinkiang oil output forwarded by pouch last week.

Responsible Chinese consider that maximum amount of materials that can be moved across Sinkiang to destinations in China is 2,000 tons monthly exclusive of gasoline for transport which they estimate at 1,000 tons monthly. Russians have agreed in principle to transit of materials over Turkish-Siberian railway and will undertake truck transportation across Sinkiang if Chinese will provide materials at Hsinghsinghsia on Sinkiang-Kansu border for return trip. Chinese will find it extremely difficult to provide 2,000 tons monthly having been unable so far to promise more than 500 tons.

Transportation across Sinkiang is the bottleneck. Movement of materials in excess of 2,000 tons monthly to Alma Ata in expectation that it would be moved into China would be impracticable and prove wasteful resulting simply in concentration at Alma Ata. With reference to mention of Sergiopol Chinese consider Alma Ata as logical Turkish-Siberian terminus for shipments to China.

Chinese express hope that Lend-Lease trucks in India on consignment to China be assembled and form first shipment via Iran and Turkish-Siberian to China loaded with materials if possible. They anticipate using these trucks in northwest China proper rather than in Sinkiang, however.

Until Chinese have solved problem of transport across Sinkiang it would be premature to commence movement of any volume of Lend-Lease materials to Alma Ata.

GAUSS

²⁵ Neither printed.

²⁶ Not printed.

893.24/1456 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

KUIBYSHEV, October 24, 1942—noon.

[Received October 25—4 p. m.]

928. Embassy's 369, September 22, 5 p. m. and 842, October 2, 3 p. m. The following information relating to recent developments in the matter of sending supplies through the Soviet Union to China has been obtained from the Chinese and British Embassies:

1. The Chinese Ambassador went to Moscow several days ago for the purpose of engaging in conversations with regard to this matter. The delay in the initiation of these conversations has been in part due to

(a) the desire of the Chinese Government to ascertain before making commitments that it possesses the facilities sufficient to transport merchandise which it might promise the Soviet Union or which it might receive through the Soviet Union between Hami, the city now decided upon as the place of exchange, and other points in China, and

(b) the indecision of the Chinese Government [as to whether it?] should request at this time that the proposed agreement contain promises for progressive increases in the volume of supplies to be shipped across Soviet territory to China.

2. Floods have so damaged the Quetta and Zahidan [road?] that it cannot be repaired to permit operation until near the end of December. Since the routes from Persian Gulf ports to Ashkhabad are already overloaded with supplies destined for the Soviet Union, it would appear that little merchandise for China will pass through Ashkhabad before the beginning of the new year. Even after repairs have been made, not more than 500 tons monthly can be carried on the route between Karachi and Ashkhabad until considerable development work has been completed. The speed of this development seems to depend upon British willingness and ability to contribute labor, materials, trucks, et cetera.

3. It would appear that the Soviet Government is expecting the British Government furthermore to furnish trucks and spare parts for the haul between Alma Ata and Hami, it might take some time for these trucks [to be put into?] operation. It has not been decided whether the British or the Russians will serve the stretch between Meshed and Ashkhabad.

HENDERSON

893.24/1456 : Telegram

*The Secretary of State to the Chargé in the Soviet Union
(Henderson)*

WASHINGTON, October 29, 1942—10 p. m.

544. Your 928, October 24, noon. Reference last sentence paragraph numbered 2. Please endeavor to ascertain and report whether the British have undertaken any commitments to provide the equipment and personnel necessary to develop the Karachi-Ashkhabad route.

Reference paragraph numbered 3. If information available please report under what arrangement the British are expected to supply the trucks and parts for the haul from Alma Ata to Hami, whether they are aware that this is expected of them and whether they are willing to do so; also estimated time required to put this section in operation.

HULL

893.24/1456 : Telegram

*The Secretary of State to the Chargé in the Soviet Union
(Henderson)*

WASHINGTON, October 29, 1942—11 p. m.

545. Your 928, October 24, noon, was very helpful. Please continue to report future developments.

If you think it would be useful and a suitable opportunity should present itself you may again express to the Foreign Office this Government's live interest in the delivery of supplies to China and the hope of this Government that the Soviet Government will be successful in reaching an agreement with regard to the transportation of such supplies through the Soviet Union to China.

HULL

893.24/1459 : Telegram

*The Chargé in the Soviet Union (Henderson) to the Secretary
of State*²⁷

KUIBYSHEV, October 31, 1942—2 p. m.

[Received November 2—7:18 a. m.]

954. Embassy's 928, October 24, noon. The Chinese Chargé d'Affaires tells me that:

1. When his Ambassador and he were in Moscow last week they presented to Molotov and Mikoyan a revised draft of the proposed traffic agreement, the most important points of which are:

²⁷ Substance repeated by the Department to the Embassy in China in telegram No. 1033, November 5, midnight.

(a) the Soviet Government is to transport monthly 2,000 tons of transit merchandise, including war material and industrial equipment from Ashkhabad to Alma Ata by rail and from Alma Ata to Hami by truck. The Chinese Government is to deliver monthly 2,000 tons of raw materials to the Soviet Government at Hami, the exchange point. The Soviet Government is also to turn over monthly to the Chinese Government at Hami 1,200 tons of oil for use in automobile transport between Hami and points further in the interior of China.

(b) In case the Chinese Government is able to improve transport facilities in the interior of China it might later raise the questions of an increase in the volume of transit goods and of undertaking singly or jointly with the Soviet Government the transport of merchandise between Hami and Alma Ata.

(c) The Chinese Government is to maintain technical inspectors and transport experts at all important transshipment points between Karachi and Hami.

2. The categories of goods to be delivered by China to the Soviet Union are being determined in Chungking. They will include wool, tin, wolfram, raw silk, hides, and tung oil.

3. Molotov stated that the Soviet Government in principle desired to assist China in the matter of transit trade and left to Mikoyan the discussion of details. Mikoyan promised to refer the draft to his government and said that his representative in Kuibyshev would give the Soviet answer to the Chinese Chargé d'Affaires. Mikoyan expressed the opinion that the success of the transit scheme depends upon the willingness and ability of the British to repair and improve the railway between Quetta and Zahidan and to provide trucks for the highways between Quetta and Ashkhabad and between Alma Ata and Hami. He added that the Soviet Union would not agree to the shipment of transit goods for China through Iranian ports [since route through?] Iran was already congested with Soviet war materials. The British had promised to deliver to the Soviet Union 80,000 tons monthly through this route but were bringing only 35,000 tons monthly.

4. The British Ambassador in Moscow told the Chinese Ambassador and Chargé d'Affaires that in his opinion the success of the scheme depended to a large extent on the ability of the Americans to deliver the required amount of trucks in the near future at Karachi. He understood that the matter had already been taken up in Washington; that trucks were available; but that there might be some difficulties with regard to vessels for transport. He also suggested that the Chinese make it clear to the Soviet Government that the latter was to furnish gasoline and oil between Alma Ata and Hami.

5. Before his departure the Chinese Ambassador had asked the Chargé d'Affaires to request me to bring to the attention of the Amer-

ican Government the urgent need for the delivery of American trucks at Karachi.

HENDERSON

893.24/1462 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

KUIBYSHEV, November 3, 1942—4 p. m.
[Received November 5—12:15 p. m.]

974. Department's 544, October 29, 10 p. m.

1. In this telegram the term eastern route will indicate Zahidan-Ashkhabad, the western route various traffic lanes between Persian Gulf ports and the Soviet Union, stretch A Zahidan-Meshed, stretch B Meshed-Ashkhabad, stretch C Alma Ata-Hami, and railroad the Quetta-Zahidan Railway.

2. The British Counselor who has been participating in the recent British-Chinese and British-Soviet conversations in Moscow states that:

(a) The British have undertaken no obligations as yet with regard to Chinese traffic trade. They have, however, indicated their ability and willingness to [transport?] certain quantities of goods over the eastern route adhering to the formula that 3 tons out of every 5 shall be for the Chinese and 2 tons for the Russians.

(b) The British are planning, although they have not obligated themselves so to do, to provide trucks necessary for stretch A, and if requested by Soviet Government for stretches B and C, from equipment which has already been allocated to them or may be allocated to them by the American Government. Nothing has been said about terms. It is believed that transactions of this character will be on Lend-Lease basis. The Russians have apparently interpreted British inquiries regarding transportation needs for stretch C as an offer to furnish trucks to serve that stretch and British are aware of this interpretation. The British have also asked the Chinese whether they will need additional trucks to transport supplies between Hami and Chungking. They are planning to use Indian chauffeurs operating under British supervision for stretch A as well as for stretch B if Russians desire them to service latter stretch.

(c) Allied supplies executive in London has expressed the opinion that with trucks already in Iran or afloat it will be possible to meet needs of western route which carries Soviet supplies exclusively and to carry up to 7,500 tons monthly over stretch A, and that with the additional 500 trucks now in India earmarked for China to increase the tonnage carried over stretch A to 15,000 tons monthly, the "target" for eastern routes since that is the maximum amount that can be carried by the railroad. The British Embassy in the Soviet Union and British technical officials in Iran have informed the executive that they consider these estimates unsound and have expressed the hope

that figures of such an optimistic nature will not be furnished the Russians or the Chinese. They believe that it is technically possible to carry 5,000 tons rather than 7,500 beginning about January 1 (the repairs of the railroad should be completed in the middle of December).

[d] The British are assuming that the Russians will furnish all oil and gasoline used on stretches A, B and C. They plan that trucks moving towards Zahidan for fresh loads of supplies will carry Russian fuel sufficient for the return trip. They estimate that 2,000 tons of petroleum products will be required to move 15,000 tons of supplies over stretch A. If Russians will not furnish fuel, a tremendous amount of carrying capacity will be consumed in transporting it from Iranian gulf ports to Zahidan and Meshed.

(e) The British informed the Russians on October 25 by letter that as soon as the railroad is repaired it will be possible to deliver "on Soviet account" 2,000 tons monthly to Meshed. They inform us that they should be able in addition to carry simultaneously about 3,000 tons monthly for the Chinese. Negotiations with regard to technical details between the British and Russians are still going on in Tehran and London, and negotiations regarding matters of principle are for the most part being carried on through the Embassy here.

[f] About 5,000 tons of supplies for Russia and 10,000 tons for China are being held up in India awaiting the repair of the railroad. The Soviet trade delegation in London in the meantime is insisting that 6,000 tons monthly of supplies from India including 4,000 tons of jute be sent over the eastern route.

3. My own impressions based on my talks with the British and Chinese are that if the British attempt to send any appreciable amount of supplies over the eastern route to China just as soon as the Railroad is repaired considerable confusion may result unless the Soviet Government shows a livelier interest in Chinese transit trade than it has in the past. The Russians have thus far not answered questions put to them in writing on October 13 by the British regarding transport over stretch B and assistance which might be required over stretch C. They may desire that for period following the re-opening of the railroad the eastern route will be used exclusively for their benefit while they are negotiating with the Chinese and the British with regard to various questions which must be settled before goods destined for China can begin to flow.

4. In a conversation which I had with Lozovski on October 31 I told him that my Government was hopeful that it might be possible in the near future to begin sending supplies across the Soviet Union to China through Ashkhabad and Alma Ata and said that it would be appreciated if the Soviet Government would keep the Embassy informed regarding such progress as might be made towards the opening of this traffic. Lozovski replied that certain conversations had taken place between the Soviet Government and the British and Chinese Governments and were still going on: that he would make

inquiries and inform me just as soon as any definite arrangements had been made. I told him that naturally the American Government was anxious to do everything possible in order to expedite the opening of the route.

HENDERSON

893.24/1465 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, December 3, 1942—2 p. m.

[Received December 4—11:10 p. m.]

1426. For Currie²⁸ and Stettinius from Ray.

1. Preliminary report on northwest trip sent from Tihua by Adler's²⁹ safe hand. Have visited Lanchow and Tihua by air, made road inspection to Soviet border and visited Kuldja before return Tihua by air. Starting road inspection trip to Lanchow on November 29 and expect arrive Chungking by December 15 with full report condition northwest highway.

2. In Lanchow interviewed Governor Ku and staff, also Central Government Minister of Agriculture and chief of his Bureau of Animal Husbandry, and had preliminary talks with Dr. Frank Liu of Northwest Epizootic Prevention Bureau and General Ho Ching Wu of Northwest Transportation Administration. Main observations follow:

(a) Motor transport facilities in Kansu being centralized in hands of General Ho but handicapped by shortage of 34 x 7 tires for Soviet made Zes and Gaz trucks owned by Northwest Transportation Administration. Kansu petrol output from Yumen small and quality low due limited refinery and storage facilities. Part of output moved from Yumen in trucks of Ministry of Economic Affairs to Kwangyuan in Szechuan for river transport to Chungking area.

(b) Animal cart and camel transport routes through Kansu being actively developed using private equipment under provincial registry and direction.

(c) Veterinary personnel, equipment and supplies badly needed for rinderpest infected areas mainly in Chinghai, Kansu and Ninghsia where animals important for transport food and clothing. Major Pyles mission, judging by reports from various sources, was valuable in revealing present deficiencies in staff and facilities, in clarifying [actual] needs and in developing practical program for use future technical advisers from abroad. Agriculture Ministry officials in charge are realistic and inspire confidence. Note again highly trained experts are less usable than healthy young adaptable improvisors mentally prepared for work and instruction under primitive [conditions?] aimed at gross results without laboratory refinements. Personnel

²⁸ Lauchlin Currie, Administrative Assistant to President Roosevelt.

²⁹ Solomon Adler, American representative on the Chinese Stabilization Board.

useless without basic equipment and chemicals. In default of air deliveries veterinary supplies to Kunming, caravan route from India via Lhasa to Sining and Lanchow considered feasible and being developed.

3. Our party warmly welcomed in Sinkiang by Governor Shen and given facilities travel and inquiry on transport and economic matters. Main observations to date follow:

(a) Provincial transport agencies own total [apparent omission] 5 Soviet Zes 6-wheel 3-ton trucks of which only about 120 serviceable as rest lack tires and tubes. Also a few 1½-ton Gaz trucks in same condition. Usable trucks engaged almost entirely in intra-provincial civil and military government business including collection of provincial products for export to Soviet. Virtually no privately owned vehicles here. Eastbound deliveries Soviet petrol handled by Soviet-owned and operated truck fleet plus camel and cart transport.

(b) Major truck repair stations at Kuldja and Tihua only, and spare parts stocks low. Limited replacements available from Soviet, excepting tires and batteries. No tank trucks, tow cars, special service cars or filling stations on Sinkiang highway, but five long-established well-equipped and provincially-managed rest stations, each with first rate food and bedding for from 200 to 400 drivers, were observed from Tihua to Soviet border at Horgos, 440 kilometers from Alma Ata. Each has shelter for minor repairs and small store of petrol and lubricants.

(c) Route from border runs 72 kilometers to rest station at Hsinerhtai, 158 to Chinghuo, 157 to Wusu, 131 to Sinlai, 137 to Tihua. Road is from 20 to 30 feet wide, packed dirt with gravel surfacing on most of route, and good drainage ditches on both sides. 25 wooden bridges from 10 to 100 yards in length and are called safe for minimum 7-ton loads. Maximum grade 14% for short stretch through mountain pass near Hsinerhtai. This mountain stretch has no hairpins but wide turns observed to be adequate for passage trailer trucks carrying 20 pipe sections. Route has two short detours around bridges under repair and some rough spots caused by minor flooding, also mud through villages due to thawing snow, but entire distance readily passable at 30 k. p. h. average pace. Main hazards are local flooding during April and May thaws from rivers now dry and desert winds in August and September. Condition and administration Sinkiang highway are in striking contrast to all reliable reports on Burma road, and give evidence of substantial past usage for imports from Soviet.

(d) Sixty Soviet operated 1½-ton eastbound trucks loaded with petrol in drums or cans observed daily on trip, also numerous eastbound camel and cart convoys similarly loaded. No westbound motor traffic seen but some animal convoys with hides.

(e) Soviet petrol also arriving Ili River port Huiyang just within Sinkiang border transshipment east to Hami or Hsinghsinghsia on Kansu border, by truck or animal transport. 3000 camels, 5000 donkeys and 1000 4-horse carts available for through traffic.

(f) Oil field at Tushan near Wusu or Shikho being developed as joint Soviet-Sinkiang venture, producing since first of year 150 tons crude daily with fair gasoline yield limited by equipment shortage.

4. Notable features of present provincial policy under Governor Shen are:

(a) Increasing liaison with Central Government on transport and resource development problems.

(b) Strongly centralized administration under capable directors.

(c) Evident inter-racial harmony achieved by nondiscrimination and encouragement of diverse cultural development by minorities.

(d) Effective use of Soviet technicians and advisers in industry, agriculture, animal husbandry and the professions.

(e) Positive easy money policy and promising initiation of banking and industrial enterprises using joint public and private capital, handicapped by stoppage of customary imports from Soviet of goods now needed in Soviet war effort.

5. My impression is Provincial Government will cooperate fully on transit Lend-Lease goods to Kansu and would use very effectively any supplies allocated to it by Central Government. Strongly advise some tire shipments for political reasons in view of recent British unfulfilled promises, from India via Kashgar. Will report further on Kansu transport situation after inspection trip. [Ray.]

GAUSS

893.24/1471: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, December 14, 1942—11 a. m.

[Received December 15—10:50 a. m.]

1497. Department's 1033, November 5, midnight.³⁰

1. Informed Chinese official here states that Soviet Government counter proposed reduction of oil deliveries to 300 tons monthly as adequate [and?] their inclusion as part of the 2000 tons. Chinese agree to reduction of oil to 600 tons monthly but request it not be included in 2000 tons. There the matter appears to rest.

2. Chinese speak in terms of 1000 new American trucks each for transport in Iran, transport across Sinkiang, and transport from Hami into China proper as essential to implementation of agreement.

3. Difficulty of delivering 2000 tons monthly of materials for Russia at Hami (or Hsinghsinghsia) still constitute[s] a major problem for Chinese, and Russians are apparently anxious that this stipulation be met. National Resources Commission will endeavor to deliver 500 tons monthly of metals but it cannot do more and will probably not do so much. Embassy gains impression that it will be practically impossible for Chinese to deliver 2000 tons monthly at Hami and feels that they will be doing well if they deliver 1000 tons.

GAUSS

³⁰ See footnote 27, p. 612.

893.24/1476a : Telegram

The Secretary of State to the Ambassador in China (Gauss) ⁸¹

WASHINGTON, December 22, 1942—9 p. m.

1255. 1. Mr. Currie on behalf of the Lend-Lease Administration has informed the Department that a member of the British supply organization in Washington has stated that the British and Soviet Governments have concluded an agreement by which (a) the Soviet Government is to deliver to the Chinese Government monthly 2,000 tons of American Lend-Lease supplies to be moved into China by trucks over the northwest route and (b) the Soviet Government is in addition to supply monthly to the Chinese Government 600 tons of petroleum products for transportation by truck of the foregoing 2,000 tons over the northwest route. The British official referred to also stated that successful operation of the agreement was dependent upon the United States supplying a large number of trucks to China under Lend-Lease. Representatives of China Defense Supplies have informally raised the question of shipping to Karachi a large number of trucks in order to carry out the foregoing arrangement.

2. The Department assumes that the foregoing relates to the proposed route for sending Lend-Lease supplies to China by way of Karachi, Baluchistan, Iran, the Soviet Union and Sinkiang by succeeding rail and truck routes. The Department has understood that the proposed agreement between the British and Russians relating to this route included terms of the kind set forth in the preceding paragraph and a further provision that of the supplies entering the Soviet Union from Iran over this route sixty percent would be destined for China and forty percent would be retained by the Soviet Union. However, the Department's information has heretofore indicated that the agreement was contingent upon Chinese ability to supply the Russians with 2,000 tons a month of supplies produced in China and that the Chinese have been and are likely to continue to be unable to supply such an amount.

3. The Department requests that, unless you perceive objection, you inquire of the Chinese Government whether the agreement mentioned in paragraph (1) has been communicated to the Chinese Government and whether the Chinese have reached agreement with the Russians on the matter of providing Chinese supplies to Russia. If any such agreement has been reached between the Chinese and the Russians the Department would like to be informed as to pertinent details.

⁸¹ Similar telegram sent to the Ambassador in the Soviet Union as No. 647, same date.

4. We have instructed our Embassy at Kuibyshev to ascertain officially from the Soviet Government whether or not the agreement mentioned in paragraph (1) has been concluded and, if it has, to ask for the terms of the agreement. We are also instructing the Embassy to make inquiry as to whether agreement has been reached between the Chinese and the Russians with respect to the provision of Chinese supplies to Russia. We are making similar inquiries of the British Embassy here.

HULL

893.24/1478 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

KUIBYSHEV, December 29, 1942—1 p. m.

[Received December 30—4 p. m.]

1152. Department's 647, December 22, 9 p. m.³²

1. The chief of the American section of the Foreign Office informed me that matters relating to Chinese transit traffic across the Soviet Union should be discussed with Lozovski, Assistant Commissar for Foreign Affairs, who is handling them. Lozovski told me yesterday that there was no agreement with Great Britain on the subject; there had not even been negotiations with the British since the subject was clearly one for direct negotiations between the Soviet and Chinese Governments; that the Soviet Government had agreed in principle to the shipment of merchandise to China across the Soviet Union from Iran; that technical discussions with the Chinese in this regard thus far had resulted in no agreement; that arrangements for equipment such as trucks for use in this transit traffic must be arranged by China rather than by the Soviet Union. I said that it was my understanding that since the British Government would be responsible for delivering the merchandise at the Soviet frontier the British were interested parties and had been discussing with the Soviet Government and that the conversations had touched upon the number of trucks which the Soviet and Chinese Governments might need. Lozovski again denied that such discussions had taken place, insisting that the Chinese rather than the Soviets should negotiate matters relating to British and American equipment necessary for the carrying on of the traffic. Lozovski had been informed in advance of the nature of the questions which I intended to ask. I am therefore at a loss to understand his apparent lack of knowledge of the negotiations which have certainly been taking place between the British and the Russians.

2. Bagallay, the British Chargé d'Affaires, and Gifford, the Commercial Secretary, informed me yesterday that:

³² See footnote 31, p. 619.

a. They are confident that no agreement or understanding had as yet been reached between the British and Soviet Governments with regard to Chinese transit traffic. Conversations on the subject had been taking place between the Ambassador and Molotov and between the British Embassy in Kuibyshev and Mishustin, Chief of the Trade Treaty Department of the Commissariat for Foreign Trade. They doubted that the British Government was planning to enter into any formal agreement with the Russians with regard to this subject. They thought that the British aim was merely to come to an informal understanding with the Russians which would permit goods to go forward from Iran to China. On November 8 Mishustin had written a letter to Gifford stating that on the 10th of September, the Soviet Government had informed the Chinese Government that it had decided in favor of the transportation of goods from India to China via Iran and the Soviet Union. Attached to this letter was a list of equipment which would be necessary in order to transport 2000 tons of Chinese goods monthly from Sary-Ozek (the rail-head near Alma Ata) to Hsinghsinghsia (a point about 200 kilometers east of Hami). The letter in referring to the list requested that "the respective British competent authorities should as urgently as possible consider the abovementioned specifications and state the date of delivery". Among the equipment listed by the Russians in the enclosure to the letter (a copy of which has been given to us by the British Embassy) are 1120 Dodge auto trucks T-203-1; two mobile motor transport repair stations types A and B; one mobile battery charging station; one special mobile repair station for repairing tires; two passenger cars; and many spare parts.

[b] It was probably this letter which had prompted Currie to approach Lend-Lease. The British can do little [more in?] discussions here until the question of trucks has been decided. Early in December they suggested to the Russians that in view of congested traffic conditions in the Near East it might be advisable to ship trucks for use east of Alma Ata from the United States via Vladivostok. The Russians replied that they did not have ships for this purpose. The British therefore were planning to inquire whether the United States Government could not transfer bottoms to the Russians for the transportation of trucks to the Soviet Far East.

c. The ratio of 46 [4-6] was still a basic feature of Soviet-British discussions. Since, however, the Russians have recently stated that for some time to come they would not be able to transport more than 2000 tons monthly to China over the Russian railroad, the British were inclined to agree to allow the Russians temporarily more than 40 per cent and up to 50 per cent of merchandise shipped through Meshed provided the Chinese received their 2000 tons monthly.

d. The Soviet-British discussions had never been linked with the Soviet-Chinese negotiations and therefore from the British point of view any understanding reached between Great Britain and Russia would not be contingent upon the delivery by China [of goods] to Russia.

e. The Russians have not replied to the British inquiry as to whether the Russians or the British would serve the stretch between Meshed and [Ashkhabad. The Chargé d'] Affaires stated as follows:

(a) The Russians on November 4 had replied to the Chinese proposals outlined in the Embassy's 954 of October 30 [31], 2 p. m.

The Russians proposed that the volume of goods to be delivered to China would be 2000 tons monthly, including 300 tons of petroleum products, instead of 3200 tons, including 1200 tons of petroleum products, as suggested by the Chinese. The Russians also suggested that Hsinhsinhsia rather than Hami be the point of delivery to the Chinese.

(b) The Chinese Embassy last week, upon instructions from its Government, had replied that the Chinese Government preferred Hami as the delivery point since Hsinghsinghsia was a small village without the facilities, including water, which a transshipment point should have. The Chinese reply did not touch on the differences regarding the volume of petroleum products. It contained, however, a suggestion that in order to test the route an effort be made to send an initial shipment of 500 tons at once without awaiting the arrival of trucks or other equipment. (The Chargé has requested that information regarding this suggestion be kept especially secret.) The Russians, without formally replying to this suggestion, pointed out that they had no means of transporting any supplies beyond Alma Ata.

Conversations with the Russians on the subject of transit traffic could have little practical value until it had been ascertained that trucks could be furnished by the American Government and delivered at points where they could serve Zahidan-Adekhab [*Ashkhabad?*] stretch and the stretch east of Alma Ata.

He did not know whether the Chinese would be able to deliver promptly 2000 tons monthly of raw materials to the Soviet Union. He was under the impression however that there might be difficulties with regard to transport between points in the Chinese interior and the point of delivery to the Russians.

4. [*sic*] It is apparent the Chinese had been under the impression that at least some trucks would be available by the first of January and the Chinese Chargé d'Affaires was visibly depressed at the thought that possibly none had left the United States for the Near East.

5. It is my feeling that if we seriously desire goods to proceed in the near future to China via the Near East and the Soviet Union, we should begin at once, without waiting for the conclusion of any definite understandings or formal agreements, to send trucks together with equipment for assembling and repairing them and spare parts to points in the Near East where they could most easily be delivered to Zahidan for use in Iran and to Ashkhabad for use east of Alma Ata. In any event it is almost certain that many misunderstandings and differences will arise in connection with the shipment of goods across this route since obviously the Russians in view of their own difficult military situation are not anxious to make the sacrifices in shipping space, oil products, and personnel which they will be called upon to contribute. My impression, based on talks with Chinese officials

here, is that there is more doubt than they will admit of the ability of China to make prompt deliveries of any appreciable quantity of raw materials to the Russians. I nevertheless feel that it would make an unfortunate impression on both the Russians and the Chinese if the project should be allowed to drop because of lack of American trucks.

HENDERSON

EFFORTS TO ESTABLISH A SUPPLY ROUTE TO CHINA
THROUGH TIBET; ATTITUDE OF THE UNITED STATES
TOWARD STATUS OF TIBET

103.91802/687

*The Director of the Office of Strategic Services (Donovan) to the
Secretary of State*

WASHINGTON, July 2, 1942.

MY DEAR MR. SECRETARY: Two of our men, Captain Ilia Tolstoy and Lieutenant Brooke Dolan, are being sent on a mission via India and Tibet to General Stilwell¹ in China.

This office, therefore, requests that the State Department should instruct the head of its diplomatic mission in New Delhi, India, to expedite the obtaining of a permit from the British authorities in India for Ilia Tolstoy and Brooke Dolan to enter Tibet, by way of India, and to be allowed freedom of travel in Tibet in so far as the British are able to grant it without the necessity of returning to India.

Our military authorities in India will verify and confirm this mission to the State Department representatives in New Delhi in order that negotiations with the British authorities, civil and military, may be facilitated.

This mission is of strategic importance and we hope will prove of long term value in the furtherance of the war effort in the Asiatic theatre.

We are keeping this project *most secret* and we feel it desirable to avoid any mention of the military status of these two men in any negotiations. When they personally contact American State Department and Military authorities in India, the matter can be discussed and arranged in fullest confidence with the British. Certain British authorities in India are already informed as to the nature of their mission.

Respectfully,

WILLIAM J. DONOVAN

¹ Lt. Gen. Joseph W. Stilwell, Commanding General, U. S. Army Forces in China, Burma, and India.

103.91802/687

The Secretary of State to President Roosevelt

WASHINGTON, July 3, 1942.

Colonel William J. Donovan, Director of the Office of Strategic Services, is sending two members of his organization on a special and confidential mission to China via India and Tibet. It is believed that the work of the mission in Tibet would be greatly facilitated if you were to provide it with a letter of introduction to the Dalai Lama of Tibet. A draft of such letter is attached.² The letter is addressed to the Dalai Lama in his capacity of religious leader of Tibet, rather than in his capacity of secular leader of Tibet, thus avoiding giving any possible offense to the Chinese Government which includes Tibet in the territory of the Republic of China. It is understood that Colonel Donovan is getting in touch with your office with regard to the form of delivery of the letter, if approved by you.

[HULL]

103.91802/687

President Roosevelt to the Dalai Lama of Tibet

WASHINGTON, July 3, 1942.

YOUR HOLINESS: Two of my fellow countrymen, Ilia Tolstoy and Brooke Dolan, hope to visit your Pontificate and the historic and widely famed city of Lhasa. There are in the United States of America many persons, among them myself, who, long and greatly interested in your land and people, would highly value such an opportunity.

As you know, the people of the United States, in association with those of twenty-seven other countries, are now engaged in a war which has been thrust upon the world by nations bent on conquest who are intent upon destroying freedom of thought, of religion, and of action everywhere. The United Nations are fighting today in defense of and for preservation of freedom, confident that we shall be victorious because our cause is just, our capacity is adequate, and our determination is unshakable.

I am asking Ilia Tolstoy and Brooke Dolan to convey to you a little gift in token of my friendly sentiment toward you.

With cordial greetings [etc.]

FRANKLIN D. ROOSEVELT

² *Infra*, as signed.

893.24/1377½ : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, July 3, 1942—10 p. m.

592. The British Embassy has informally supplied the Department with a copy of a telegram from the British Foreign Office³ in which it is stated that, in reply to further representations by the Government of India, Tibet has definitely refused permit for passage of supplies to China on the ground of desire to stay out of the war; that if necessary the British Government is prepared, in association with the Chinese, to speak plainly to Tibet and to threaten economic sanctions in order to change the Tibetan attitude, but feels that prior thereto the Chinese Government should do its part to facilitate Tibetan acquiescence, as Tibetan reluctance is believed to be largely due to fear of Chinese penetration; that the British Government asked Ambassador Seymour⁴ to suggest to the Chinese Government that it give definite and public undertaking of intention to respect Tibetan autonomy and to refrain from interfering in Tibet's internal administration; that, if the Chinese would do this, Great Britain would be ready to cooperate with them in exercising joint pressure; that it was pointed out that the British Government was asking no more of the Chinese in relation to Tibet than the Chinese had already strongly recommended to the British in relation to India, namely, free and willing cooperation in the joint struggle against aggression; and that subsequently Seymour reported that he had approached the Vice Minister for Foreign Affairs,⁵ who had seemed at first sight to see nothing contrary to Chinese policy in the proposed declaration and who said that he would consider the matter and communicate again. For your information, it may be added that the telegram refers in two instances to Tibetan "independence" and in another instance to Tibetan "autonomy". It is not clear whether these words are used interchangeably or not.

We should appreciate receiving such information as you may have or be in position discreetly to obtain with regard to the difficulties of supply via Tibet referred to by the British and such comments and suggestions as may occur to you. We of course desire that a practical solution be found of any existing difficulties. As you are aware, the Chinese Government has long claimed suzerainty over Tibet, the Chinese constitution lists Tibet among areas constituting the territory of the Republic of China, and this Government has at no time raised question regarding either of these claims.

HULL

³ Not printed.⁴ Sir Horace James Seymour, British Ambassador in China.⁵ Foo Ping-sheung.

893.24/1386 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 13, 1942—11 a. m.

[Received 2:42 p. m.]

835. Department's 592, July 3, 10 p. m. Inquiry by Embassy discloses that the Tibetan authorities have agreed to the passage through Tibet of non-military supplies for China. The term "non-military" will not be strictly interpreted. Technical details have not yet been worked out. Transit through Tibet is practicable by pack animal trains making one trip a year but the amount that can be transported (maximum estimates place it at 3000 tons annually) renders the project of minor importance as a supply route to China. The round trip requires 6 months and about half of the year travel is impracticable.

The Chinese have abandoned whatever plans they may have had for constructing a motor road and for stationing troops in Tibet, the former because the road would have no early value to the war effort due to the time required for construction and the latter because Tibetan opposition would certainly be encountered.

The Chinese plan to station technicians along the route to facilitate transportation. The Tibetan authorities are being assured that these technicians will not engage in any political activities; that they will be instructed to confine themselves to the matter of supervising transport. The Vice Minister for Foreign Affairs states that this is as far as the Chinese Government is prepared to go in response the British suggestion mentioned in the reference telegram. The Vice Minister said there was no occasion for giving assurances regarding "autonomy"; that Tibet was considered a part of the Republic of China; but that China had no intention of altering the situation whereby internal administration in Tibet is in fact autonomous.

GAUSS

893.24/1386

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton)*

[WASHINGTON,] July 18, 1942.

Reference Chungking's 835, July 13, 11 a. m. and attached file in regard to questions relating to Tibet.

It would appear from Chungking's reference telegram that the Tibetan authorities have agreed to the transit of non-military supplies for China through Tibet, and that a strict interpretation will not be made of the term "non-military". It is believed that this informa-

tion should be brought informally and orally to the attention of the British Embassy through Mr. Hayter of that Embassy by the Division of Far Eastern Affairs.

It is further believed that we might orally and in strict confidence communicate to Mr. Hayter the information contained in and the views of the Chinese Vice Minister for Foreign Affairs expressed in the last paragraph of the reference telegram. We might at the same time mention that suzerainty over Tibet has long been claimed by the Chinese Government, and that Tibet is listed in the Chinese constitution among areas constituting the territory of the Republic of China, adding that this Government has at no time raised question concerning either of these claims.⁶

M[AXWELL] M. H[AMILTON]

103.91802/687 : Telegram

The Secretary of State to the Chargé in India (Merrell)

WASHINGTON, July 22, 1942—10 p. m.

371. The Office of Strategic Services of this Government is sending Iliia Tolstoy and Brooke Dolan on a mission to General Stilwell via India and Tibet. It is expected that these two men will depart from the United States for India by air in the immediate future. Please render them both all appropriate assistance in arranging for their journey through Tibet.

The Department understands that American military authorities in India will furnish you further details in regard to the matter and that some British authorities in India have already been informed.

HULL

893.24/1423

*Memorandum by the Counselor of Embassy in China (Vincent) to the Ambassador in China (Gauss)*⁷

[CHUNGKING,] July 30, 1942.

In my recent conversation with Dr. T. F. Tsiang, Director of the Political Affairs Department of the Executive Yuan, the question of transportation of materials for China via Tibet was briefly touched upon.

⁶ Marginal note by the Assistant Chief of the Division of Far Eastern Affairs (Smyth): "Mr. Hayter called at the Department on July 21, 1942, and was informed along the lines of the above memorandum."

⁷ Copy transmitted to the Department by the Ambassador in his despatch No. 555, July 30; received September 1.

Dr. Tsiang told me in confidence that the matter had been discussed that morning at the weekly meeting of the Executive Yuan. He said that there seemed to be general agreement to eliminate from the transport project political considerations and factors. With this idea in mind it had apparently been decided to accede to the Tibetan request that no materials of war (munitions et cetera) be shipped in transit through Tibet from India to China. Dr. Tsiang said that, considering the annual capacity of the route, which he placed at 1,000 tons, the amount of direct war materials that could be brought in would be unimportant and that it would be just as well to utilize this route to transport medical supplies, gasoline, and other materials essential to the prosecution of the war. He explained that his figure of 1,000 tons a year was lower than the original estimate of 3,000 tons but that investigation had revealed that the previous figure had been much too high. (In a conversation with Mr. Richardson, an Englishman attached to the Indian Agent-General in Chungking, who is familiar with transport conditions in India, I was told that maximum annual capacity for transit materials would probably not exceed 700 tons.)

Dr. Tsiang recommended that, in order to overcome Tibetan fears that the transit of materials would be used as an excuse for Chinese political penetration, a commercial company be organized to handle transport and that Tibetans and Indians as well as Chinese participate in the company. He indicated that his recommendation was favorably received by the Executive Yuan. It was preferable, he thought, to the British proposal that a joint Anglo-Chinese-Tibetan commission be organized to handle transport.

Dr. Tsiang was interested in telling me of remarks Dr. Kung⁸ had made at the Executive Yuan meeting in regard to Tibet. Tsiang said that, at a recent committee meeting in regard to transit of supplies through Tibet, he had made the remark, in regard to Tibetan political status, that it was about time that Chinese relations with Tibet were put on a realistic footing and that Tibet be recognized for what it was—a “self-governing dominion”. At the Executive Yuan meeting, Dr. Kung had taken up the same theme. He had gone back into the classic period of Chinese history and ended with reference to the teachings of Dr. Sun Yat-sen to support his recommendation (identical with that of Dr. Tsiang) that Tibet be considered and treated in the Chinese political system as a self-governing dominion.

JOHN CARTER VINCENT

⁸ H. H. Kung, Chinese Minister of Finance.

893.24/1428

*The British Embassy to the Department of State*⁹COPY OF A TELEGRAM FROM THE FOREIGN OFFICE DATED THE 15TH
AUGUST, 1942

Government of India have been informed by the Chinese Commissioner there that the Chinese Government have accepted Tibetan stipulations in regard to the despatch of "non-military supplies" (which would include petroleum, but not arms, ammunition and explosives); that they have selected the Gyalam as the supply route with Batang as delivery point; and that they appeared to think that contract with Tibetan transport firm must be negotiated by special representative of the Ministry of Communications.

2. The above, taken along with the Chinese attitude towards the suggested formal declaration of Tibetan autonomy, which His Majesty's Ambassador at Chungking has been informed "would present numerous difficulties", and their proposal to station Ministry of Communications experts to organise the service along the Tibetan section of the route, would seem to indicate that the Chinese are more anxious to extend their influence in Eastern Tibet than to obtain supplies which in any event they do not estimate at more than a maximum of 3,000 tons a year. Nevertheless we are pursuing organisation of the route and have decided not to press for the declaration suggested. Our attitude of support for Tibetan autonomy still stands and we propose to continue to consult the Tibetan Government as and when necessary regarding detailed arrangements necessary in respect of the Tibetan section. In particular the Chinese proposal to appoint supervisors appears unnecessary, apart from the political objections involved, and it has been suggested to the Chinese Commissioner that any difficulties which might arise could be solved by joint intervention by the British and Chinese representatives at Lhasa.

3. The present position is that the Tibetan Government have now agreed *during the current year only* to the despatch from India for China of non-military supplies, preferably via the Changlam to Jyekundo, avoiding Lhasa, and as they cannot undertake to handle transport themselves they suggest that a contract should be made with a Tibetan firm for this year only. As regards the appointment of Chinese technicians or experts, no such request has, they state, been received from the Chinese representative at Lhasa and if made will be refused, since in the Tibetan Government's view neither British nor Chinese supervisors should travel up and down the supply route in Tibetan territory.

⁹ Handed to the Assistant Chief of the Division of Far Eastern Affairs (Smyth) by the Second Secretary of the British Embassy (Barclay) on August 27.

4. The time limit need not perhaps be taken too seriously. The main thing is to get supplies moving along this route and it should be possible to stipulate for the contract made with the Tibetan transport firm to run for one year with the option of renewal. The Chinese Government have now been asked to agree (a) to the selection of the Changlam as the main route and of Jyekundo as the delivery point, and to the stationing of a British representative at the latter place; (b) to dispense with liaison officers or supervisors; and (c) to delegation of authority to the British and Chinese representatives at Lhasa to negotiate a contract with Tibetan carriers.

[In a memorandum dated September 15, 1942, the Chief of the Division of Far Eastern Affairs (Hamilton) made the following comment: "It will be recalled that on July 21, 1942, Mr. Hayter of the British Embassy was informed orally and in strict confidence by Mr. Smyth of FE that suzerainty over Tibet has long been claimed by the Chinese Government, that Tibet is listed in the Chinese constitution among areas constituting the territory of the Republic of China, and that this Government has at no time raised question concerning either of these claims. (See endorsement on attached FE memorandum of July 18, 1942.) It is accordingly believed that we need make no comment to the British Embassy at the present time with regard to the attitude of the British Foreign Office on the subject of Tibetan autonomy." 893.24/1445a]

ARRANGEMENTS TO OBTAIN STRATEGIC MATERIALS FOR THE UNITED STATES FROM CHINA

811.20 Defense (M)/4057a: Circular telegram

*The Secretary of State to the Ambassador in China (Gauss)*¹

WASHINGTON, December 27, 1941—6 p. m.

This Government in collaboration with the British is endeavoring to ascertain the availability of raw materials for joint defense needs during 1942 and subsequent years. Consequently, you are requested to use your best efforts to obtain and report by telegraph at the earliest possible moment at least preliminary answers to the questions hereunder enumerated. The Department realizes this involves some repetition of effort but confirmation of figures already furnished the Department is nevertheless requested. In your discretion, you may approach the appropriate department of the Government to which you are accredited and request official assistance in obtaining the data wherever this might be of help. In addition, you are authorized and instructed to make the fullest possible use of any representatives of the Bureau of Mines, the Federal Loan Agency or the Maritime Commission who might be available.

The raw materials for which data is requested in your district are the following: Antimony, tin (both as metal and as ore and concentrate), and tungsten.

1. What is maximum possible production for 1942 with existing facilities. This estimate should indicate the total production of the country, broken down to show (a) domestic consumption (b) commitments to foreign countries and (c) balance available for export to the United States. It may be that in your district the entire production cannot be moved to ports of shipment by reason of deficiency in local transportation facilities. If such is the case, please state the amount of each material which you estimate can be moved to ports of shipment during 1942. In the case of ores and nonmetallic minerals the information should provide as complete data as possible with respect to each of the important grades, including wherever possible an indication of the actual assays.

¹The same to a list of missions and consulates in ore-producing countries with the second paragraph changed to list strategic minerals mined in each area respectively.

2. What are present stocks of these commodities at (a) point of production, (b) ports and (c) intermediary locations.

3. What is your best estimate as to the extent to which production and movement to the ports of these commodities might be increased during each of the years 1942 through 1945. The Department realizes that the determination of such an estimate involves consideration of many complicating factors, including price, availability of labor, capital, equipment and internal transportation facilities.

4. What is the nature and extent of the material and financial aid necessary to achieve any increased output referred to in numbered paragraph 3.

The Department recognizes the burden which has been placed upon your staff by numerous emergency requests of this general type. In view of the high importance attached to information along the above lines, however, you are requested to telegraph a preliminary reply within a week. It is realized that the complexities of questions 3 and 4 will limit such reply to the barest generalities. Further data as obtained by you should be telegraphed or, wherever feasible, air-mailed later.

HULL

811.20 Defense (M)/4078 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, January 2, 1942—2 p. m.

[Received January 5—9 a. m.]

9. Department's circular telegram of December 27, 6 p. m.

1. During 1942 there will be available 8,000 tons of tungsten, 5,000 tons of antimony, and 7,000 tons of tin for shipment to the United States. Total production during 1942 will amount to 12,000 tons of tungsten, 7,000 tons of antimony, and 11,000 tons of tin. Of this amount 4,000 tons of tungsten, 2,000 tons of antimony, and 4,000 tons of tin are committed to the Soviet Union under the Sino-Soviet barter agreements. Domestic consumption is negligible.

Regarding quality, the tungsten ore contains an average of no less than 60 [65]% of WO_3 , no more than 1.5 of tin and no more than 0.2% of arsenic. The antimony regulus is of two kinds, about 2,000 tons can be made 99.6% pure with no more than 0.1% of arsenic and the remaining qualities are largely of 99% with no more than 0.3% of arsenic and a small part 98%. Of the tin available, about 25% to 30% are of 99.75% purity and the others of 99%. No accurate estimates can be made at present as to the quantities of minerals that can be moved to the port of exportation as it involves the question of transportation facilities as well as the supply of gaso-

line. The Minister of Economic Affairs² took up the question of transporting these minerals with the Generalissimo³ and was assured by General Chiang Kai-shek that priority would be given to the transportation of minerals destined to the United States for defense purposes. Politics is a most important factor in transportation and without the full cooperation of the Generalissimo we will have difficulty in obtaining the minerals due to the transportation factor.

2. At present there are 1,000 tons of tungsten, tons of antimony 4,000 and 1,500 tons of tin on hand. These ores are at the place of production. There is some tin in Rangoon waiting shipment and according to the Ministry of Economic Affairs the American ship *Tulsa* now at Rangoon has refused to load ores due to the recent air raids on Rangoon.

3. The production of minerals can be increased by 5,000 tons during 1942 if conditions are favorable. No estimate can be obtained regarding increases during years subsequent to 1942 but it is doubtful if the increase would be appreciable.

4. In order to transport the 20,000 tons of minerals available for shipment to the United States in 1942 from the point of production to the port of export the supply of about 2½ million gallons of gasoline is necessary. There are sufficient trucks to transport all these minerals to the port of exportation provided they are given priority. The Chinese are very apprehensive about sending materials to Rangoon at present for storage. It is proposed to send the minerals to Calcutta via Rangoon rather than have them stored at the latter port. The Chinese Government is taking up this matter with the British authorities and the Minister of Economic Affairs requested that the American Government also approach the British Government in this matter.

In the event that future conditions make it impossible to export minerals through Rangoon, the Minister of Economic Affairs suggested that the United States supply cargo airplanes to transport minerals between Kunming and Calcutta.

GAUSS

811.20 Defense (M)/4078 Suppl. : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, January 10, 1942—3 p. m.

14. Further reference your number 9, January 2, 2 p. m. K. C. Li, representing the National Resources Commission, and appropriate

² Wong Wen-hao.

³ Chiang Kai-shek, President of the Chinese Executive Yuan (Premier).

authorities of this Government have been negotiating for the supply of tungsten during 1942. Mr. Li has estimated total 1942 production of tungsten of 20,000 tons and has further expressed the opinion that this amount could be made available at Rangoon during 1942 for export to the United States.

In view of estimate of 12,000 tons as 1942 production in paragraph 1 of your telegram under reference, it would be helpful to the Department if you would indicate sources of your estimate and if you would comment upon K. C. Li's estimate.

Assuming that K. C. Li's estimate is over-optimistic, it occurs to the Department that if ways could be found for sending practical mining experts to China current tungsten production might be increased to some such figure as Li has estimated. In any event, in view of importance of tungsten to our war effort it might be desirable to send such experts in an endeavor to increase tungsten production whatever the actual production of tungsten would otherwise be.

Please give us the benefit of your views as to whether such a plan would be practicable and useful and in the event of affirmative reaction on your part indicate desirable qualifications of experts and the number of such experts who might best be sent, and how best to fit them into the general picture.

It has seemed to us that the transportation question involves two principal stages: (1) transportation from the point of production to Kunming and (2) transportation from Kunming to Lashio. According to our best information here transportation of as much as 20,000 tons of tungsten per annum from Kunming to Lashio should not, under present conditions, require any change in existing transportation practices. This is based on assumption that sufficient empty space is currently available in outward bound trucks and that gasoline needed for these trucks is already provided for. The Department assumes therefore that your reference paragraph 4 to gasoline needs has reference to the stage of transportation from point of production to Kunming and understands from your statement as to trucks that there are sufficient trucks for this stage of the transportation as well as for the journey from Kunming to Lashio. We have understood, however, that transportation from point of production to Kunming is in large part by coolie back, and we wonder to what extent trucks and gasoline need be used for that transportation.

It would be helpful to us if, in your furnishing of estimates of transportation and gasoline needs, you would, as requested above for your estimates of mineral production, inform us of the sources of the estimates.

HULL

811.20 Defense (M)/5083 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, January 15, 1942—1 p. m.

[Received January 16—3:45 a. m.]

40. Department's 14, January 10, 3 p. m.

1. The information contained in my No. 9, January 2, 3 [2] p. m., was obtained direct from Wong Wen-hao, Minister of Economic Affairs who is concurrently Chairman of the National Resources Commission.

2. Upon being informed of K. C. Li's estimate regarding the production of tungsten, Wong gave the following explanation: a new agreement has been made within the past few days between the Government of China and the Import-Export Bank whereby China agrees to supply 15,000 tons of tungsten to the United States during 1942. This agreement was made by H. H. Kung⁴ acting on behalf of the Chinese Government in his capacity as Vice President of the Executive Yuan. Following an exchange of telegrams between Kung and Li and T. V. Soong,⁵ the National Resources Commission was instructed to increase the production of tungsten and that a minimum of 15,000 tons will be available for the United States this year and to endeavor to supply 20,000 tons for the United States. Consequently the National Resources Commission has had to revise its entire [plan] for mineral production during 1942. Figures given by Li certainly are far over optimistic. They were supplied to him by Kung and not by the National Resources Commission.

We doubt that tungsten production in 1942 will be on a scale to make available 20,000 tons for shipment to the United States and 15,000 tons seems a high figure.

3. Wong who is himself a mining engineer did not respond favorably to the suggestion that American experts be sent to China in an endeavor to increase production. He claims that mining methods are so primitive that American engineers could do nothing to assist but added that such experts would be received well if we care to send them. I agree that American experts could do little to increase production but believe it might be advisable to send out one or two such engineers for the purpose of estimating the amount of tungsten that can actually be produced. I regret to say that I do not think we can rely on any figures given by the Chinese Government.

4. Wong now claims to have been misinformed about [gasoline] and was under the impression that an additional 2½ million

⁴ Chinese Minister of Finance.

⁵ Chinese Minister for Foreign Affairs.

dollars [*gallons*] were required but has since been advised that sufficient [fuel] will be available. Tin is the only mineral transported by coolie back and that for short distances only.

5. A more detailed report follows by airmail.⁶

GAUSS

811.20 Defense (M)/4078 Suppl. : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, January 27, 1942—4 p. m.

49. Department's 14, January 10, 3 p. m. The Department understands through K. C. Li that word has been received from Dr. H. H. Kung to the effect that, because of prior commitments of 1 or 2,000 tons to Great Britain and 4,000 tons to the Soviet Union, the maximum shipments of wolframite to this country, including the *Tulsa* shipment, will be 15,000 tons. Dr. Kung added, however, that the National Resources Commission had been directed to exert every effort in production toward attaining a 1942 goal of 20,000 tons for the United States.

HULL

811.20 Defense (M)/4057a Suppl. : Circular telegram

*The Secretary of State to the Ambassador in China (Gauss)*⁷

WASHINGTON, February 4, 1942.

The information supplied in response to the Department's circular telegram of December 27, 1941, was so helpful that the Department wishes to have this information kept up to date. Therefore, please telegraph on or about the 15th of each month any significant changes that have occurred in the information supplied in your preceding report on this subject.

Please be sure to distinguish between ore, concentrates and metal content and between short, long and metric tons.

If you have not already done so, please make detailed recommendation as to methods of increasing the quantities available for export of the materials on which you have been asked to report. These recommendations may be sent by air mail at your discretion.

Charge War Production Board.

HULL

⁶ Despatch No. 280, January 20, not printed.

⁷ The same to a list of missions and consulates in ore-producing countries.

811.20 Defense (M)/5429: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, February 20, 1942—11 a. m.

[Received February 20—5:17 a. m.]

137. Department's circular February 4. No significant changes have occurred in the production of metals in China since my telegram No. 40, January 15, 1 p. m.

Due to the military situation in Burma, no metals have been sent there this year for export to the United States. If metals cannot be exported from China, it is feared that production will decrease appreciably.

Minister of Economic Affairs again stressed the necessity for establishing a cargo air service between China and India.

GAUSS

811.20 Defense (M)/5788a: Telegram

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

WASHINGTON, March 14, 1942—5 p. m.

174. The Government is most anxious that every possible step be taken to assure the movement out of China of various strategic materials urgently needed in this country. The War Department has suggested that the problem be submitted to General Stilwell,⁸ who is charged with the movement of goods into China.

You are accordingly instructed to confer with General Stilwell or an appropriate member of his staff and to impress upon him the great importance of transporting the strategic materials out of China and of coordinating this movement with the movement of goods into China.

The materials in question, listed in the order of importance in so far as their movement from China is concerned are tungsten, tin, silk, bristles, antimony and tung oil.

The tungsten, tin and antimony production are covered by contracts between Metals Reserve Company and National Resources Commission. If these materials are to be moved by air transport, it is possible that some adjustment may have to be made to cover the additional cost involved. However, in view of the fact that these materials are urgently needed in the war effort and are covered by contracts with

⁸ Lt. Gen. Joseph W. Stilwell, Commanding General, United States Army Forces in China, Burma, and India.

a governmental agency, could it not be arranged with General Stilwell to transport them in government owned planes without additional cost. If this is not possible, please advise urgently, giving your views as to excess costs and other matters standing in way of prompt shipment.

No direct contracts have been made by a governmental agency covering the purchase of bristles and tung oil, but such contracts could be arranged if it would expedite the transportation of larger amounts of these materials than would otherwise be moved to the United States. Please telegraph the Department if you believe such contracts advisable. In such event, please advise whether matter should be discussed with Chinese representatives here or by the Embassy in Chungking. In the latter event please state quantities and prices involved so that necessary approval may be obtained from Reconstruction Finance Corporation subsidiary here.

The comments made above concerning air transportation are equally applicable to bristles and tung oil.

With respect to silk, no immediate problem is foreseen from the point of view of the United States Government. The War Production Board have agreed to the British proposal that no United States purchases of silk be made for the present, thus leaving the way open to the British to purchase without competition from the United States. Accordingly you are requested to advise your British colleague that the United States Government does not intend for the present to make any silk purchases. However, if you believe that the British cannot buy and transport all of the raw silk available, please telegraph your views as to the procedure which should be followed in order that the greatest amount of silk can be moved out of China.

The Department assumes that any action taken in conjunction with General Stilwell, looking to the movement of materials out of China, will be coordinated with continued movement to this country, either through representatives of General Stilwell's Mission or through representatives of the Maritime Commission. In the latter connection, McKay, a representative of the Maritime Commission, is on his way to Chungking to confer with General Stilwell. (See Department's 145 of March 3.⁹)

Please advise the Department urgently of any obstacles which may stand in the way of prompt movement of these materials, and also please keep the Department advised as to developments.

WELLES

⁹ Not printed.

811.20 Defense (M) /5789 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, March 20, 1942—11 a. m.

[Received March 21—8:31 p. m.]

251. Department's 174, March 14, 5 p. m.

1. General Stilwell appreciates the importance of coordinating the movement of strategic materials out of China with the movement of materials into China, and expresses the desire to cooperate in facilitating such coordination subject to any possible prior demands of an immediate military character. His mission will be in control of transport planes but he has no assurance that such planes will be in operation by April. He approves Myitkyina and Yunnanyi as points at which stocks of materials now in Burma and China should be assembled by the Chinese [apparent omission] and eventual land transport to Ledo (Assam).

2. The Chairman of the National Resources Commission [Wong Wen-hao?] has undertaken to expedite the transportation of present stocks of tungsten and tin in Burma and China (see Embassy's No. 229 of March 16, 10 a. m.,¹⁰ McKay¹¹ to Maritime Commission) to Myitkyina and Yunnanyi respectively and also to effect transportation of future stocks to designated points. The anticipated production for 1942, besides stocks now available, is: tungsten 15 to 20,000 metric tons and tin 7,000 tons. There are no figures on antimony as the Chinese are non-producing because they do not plan to make shipments. There is apparent some lack of appreciation on the part of Chinese officials of the need for energetic action. The Embassy, bearing this in mind, will tactfully exert pressure for action.

3. McKay plans to depart soon for India where he will investigate the transport situation from Ledo to the west coast of India. There are indications of Chinese disinclination to undertake responsibility for arrangements for and supervision of transport through India and possibly Burma. It may be necessary and advisable for us to assume that responsibility.

4. Some adjustment with regard to cost in the contracts between the Metals Reserve Company and the National Resources Commission will apparently be necessary but on what basis cannot be determined until the differential between transportation costs over route to west coast of India and costs for Rangoon are determined by McKay on his trip to India.

¹⁰ Not printed.

¹¹ Capt. H. L. McKay, Director of Division of Forwarding, U. S. Maritime Commission.

5. Embassy believes that direct contracts by a Governmental agency should serve to expedite transportation of bristles and tung oil and suggests that the contracts be made in America with the Fooching representative Universal Trading Corporation for f. a. s. delivery Bombay in effort to induce Chinese to complete Indian organization. There are 50,000 tons of tung oil and 310 tons of bristles in stock and 140,000 tons of tung oil and 1,250 tons of bristles to become available during the year. The Chinese will be urged to move stocks to points on the road for transportation by air in the case of bristles, and by truck in the case of tung oil, when transportation to Assam becomes possible.

6. The matter of silk has been discussed with the British Embassy which had radioed London for advice as to the quantities desired. There are now 200 bales in stock and 5,000 bales will be available during the year. The British will no doubt meet with difficulty in arranging for transportation of such quantities as they desire. The Department will be informed of this Embassy's views when the British position is clarified.

8. [*sic*] With regard to new roads, [it] is hoped that the section between Lungling and Myitkyina will be completed within 2 months and that an all weather road from Myitkyina via Tinghai to Ledo will be completed by August. The completion within these time limits is largely a matter of speculation, and is dependent primarily upon the energy with which work is pressed.

9. McKay, who has cooperated in obtaining the foregoing information, requests that substance of this telegram be communicated to Maritime Commission.

10. It is clear from the foregoing that the principal obstacle to prompt movement of the materials is the lack of either land or air transport through to Assam. Trucks cannot proceed to Assam until roads are completed and transport by air must await arrival of planes from the United States. There are now no planes available for transport of cargo. Embassy will exert every effort to have the Chinese assemble the stocks where they can be transported to Assam when facilities become available, and will keep the Department advised as to developments.

Department's 186, March 18, 8 p.m.¹² just received. McKay is preparing reply for Robson.¹³

GAUSS

¹² Not printed.

¹³ H. Harris Robson, Director of Division of Emergency Shipping, U. S. Maritime Commission.

811.20 Defense (M)/5789 : Telegram

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

WASHINGTON, April 4, 1942—7 p. m.

258. Your 251 of March 20.

1. The Department is gratified that General Stilwell will make arrangements for the coordination of the exports of materials from China with the imports of materials into China. You are requested to keep the Department informed as to the plans for the use of transport planes, especially as to (1) the amounts of materials which these planes will be able to transport monthly outward from China; the estimates if possible to be given by months for 12 months from the date the service will start, and (2) the points which will be covered by this air service. The Department understands from your 251 that the present plans are that these points will be Sadiya, Myitkyina and Yunnanyi. It is assumed that rail transport will be used from Sadiya across India to Bombay and Karachi. Please keep the Department informed fully as to this whole transportation program.

2. Tungsten. The Metals Reserve Company has made contracts with the National Resources Commission whereby 75 percent of the purchase price of tungsten will be paid in cash to the Chinese Government, the other 25 percent being applied on the Export-Import Bank loans. It is understood that this purchasing program is producing the maximum amounts of tungsten. Please report your latest estimate as to the total amounts which will be produced and shipped during the forthcoming year by quarters.

3. Tin. The Metals Reserve Company has a 5-year contract with National Resources Commission to buy an aggregate of 36,000 tons of tin. However, it is understood that the British are taking up in London with the Chinese and Russian Ambassadors there a proposal to divert to Russia the total production of 1942 tin in China in consideration of a corresponding reduction in the amount of tin which the United States and Great Britain will make available to Russia during 1942. If this plan should go through the export of tin to us by the air route may be disregarded. Please telegraph the estimated tin production of China for 1942.

4. Tung oil. The Department is consulting with the interested departments and agencies here whether it is desired to acquire the tung oil stocks and production referred to in paragraph 5 of your 251.

5. Bristles. The Reconstruction Finance Corporation is interested in acquiring the 310 tons of bristles in stock and the 1,250 tons of bristles to be produced during 1942. The Reconstruction Finance Corporation is currently discussing this with the Universal Trading Company here.

6. Silk. It seems obvious that if we can provide the transportation and the British cannot it would be desirable for us to acquire the silk and bring it out of China. We will require, however, full information as the quality of the 200 bales in stock and the 5,000 bales to be available during the year. A preliminary report of the War Production Board here informs the Department that yellow Chinese silk coming from Szechwan province is as good silk as any white silk which is produced. Are the stocks and production to which you refer in your telegram from this province and are they of high grade? If not what is their comparable quality to high grade Szechwan yellow silk? If your report as to quality is satisfactory the Reconstruction Finance Corporation will decidedly want to acquire it. With whom should the negotiations be undertaken?

7. Your paragraph 8, your 251. Please keep the Department informed of the progress of the completion of the new roads.

8. Paragraph 9, of your no. 251. The Maritime Commission has been informed.

9. Reference your 282, March 27.¹⁴ The Department will appreciate your opinion on McKay's statement that he believes that there should be American investigators in China checking on quantities of materials produced and shipped and on quantities that could be produced and shipped. If you agree with Mr. McKay, please telegraph whether such investigators may be obtained in China or whether it is necessary to send them to China from the United States. Please also state your recommendations as to how many men should be required and what their qualifications should be.

WELLES

811.20 Defense (M)/6000: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, April 8, 1942—1 p. m.

[Received 3:05 p. m.]

363. Reference Embassy's 251, March 20, 11 a. m., paragraph 6. British Embassy has now informed this Embassy that the British Government is prepared to take all current stocks and the 1942 crop of silk, provided it is suitable for parachutes and the prices are reasonable, and to share supplies with other United Nations.

The Embassy will make the investigations called for in paragraph 6 of Department's 258, April 4, 7 p. m., and report its findings.

GAUSS

¹⁴ Not printed.

811.20 Defense (M)/6050: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, April 10, 1942—9 a. m.

[Received 5:05 p. m.]

380. Reference paragraph 1 of the Department's 258, April 4, 7 p. m. There are no planes available for transport of materials from China and there is as yet indefinite information in Chungking regarding when transport planes will arrive from America for duty. Ground work on fields to enable regular operations will not be completed before June 1st. With regard to (1) General Magruder¹⁵ states that it is impossible on the basis of present information to estimate amount of outward cargo planes will be able to transport monthly. With regard to (2) the Department's understanding is correct with the modification that fields in Assam will be about equi-distant from Sadiya and Ledo near railhead. The Department's assumption regarding rail transport across India is correct.

With reference to Department's paragraph 7 there seems to be slight hope that new road connections will be completed before November.

Separate replies will be made regarding matters mentioned in other paragraphs of the reference telegram.

GAUSS

811.20 Defense (M)/6205: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, April 17, 1942—3 p. m.

[Received 5 p. m.]

425. Department's 258, April 4, 7 p. m.

1. Chairman of the National Resources Commission repeats previous estimate that China can produce 15,000 to 20,000 tons of tungsten this year most of which will be available for the United States. He is not prepared to give quarterly estimates and points out that transportation not production is the principal problem (see Embassy's 380, April 10, 9 a. m., and previous communications on the subject).

2. Same informant estimates potential 1942 tin production at 10,000 tons.

3. Embassy approves in principle McKay's suggestion with regard to the desirability of having in Chungking a competent American representative of the organ of [or?] organs i. e. [in?] Washington

¹⁵ Gen. John A. Magruder, head of American Military Mission in China.

responsible for the purchase of Chinese strategic materials but believes that decision or action in the matter should be deferred until we have more definite information regarding transportation prospects and potentialities.

4. There is, however, another aspect of the matter which merits consideration. Wolfram production in the border districts of Kwangsi and Kwangtung can without much difficulty find its way into Japanese hands and if shipment out of China to the United States is impossible it is not unlikely that, rather than stopping production, [producers?] may connive in smuggling wolfram through to the coast for sale to the Japanese.

Chairman of N. R. C. has stated that he will find it difficult to justify continued government financing of mineral production in the face of prolonged interruption of transport facilities and impossibility of sale to us. Having in mind his position and believing it desirable to prevent tungsten and possibly other minerals from falling into Japanese hands, Embassy suggests for consideration a plan whereby we might purchase the Chinese production of tungsten, tin and possibly antimony for delivery and storage at such convenient and safe points as Kunming or Yunnanyi and Lingling along the Chinese section of the Burma Road where they would be ready for transport out of China when facilities become available. For such a plan, it would be advisable to have a man such as described in paragraph 3 above. McKay himself, Embassy believes, would be qualified. It would also be advisable to have one experienced mining engineer. There is in Chungking Sergei Lavrov, American, whom Embassy believes to be well qualified. He has prepared for the Embassy a very useful memorandum on strategic minerals in China which is being forwarded to Department by air mail. These two Americans or others with semi-war qualifications would be sufficient either to carry out the plan outlined above and/or to do the work suggested by McKay.

GAUSS

811.20 Defense (M)/6234a : Telegram

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

WASHINGTON, April 18, 1942—3 p. m.

295. Department's 258 of April 4.

1. Further discussions with representatives of the British Ministry of Supply here have given us the following information concerning silk. Much of this information is, no doubt, known to you, but we repeat it nevertheless.

2. The British Silk Control's agent, Jardine Matheson, have been negotiating for the purchase of stocks consisting of (a) 2,000 bales of 13/15 or 20/22 denier silk, of which 1,000 bales are at Kunming, 500 bales are at Kyeiyang, and 500 bales at Chungking; and (b) for the whole of the 1942 crop of same grades, which it is estimated would amount to 5,000 additional bales.

3. It appears likely that the 200 bales in stock and the 5,000 bales to be available during the year to which you referred in your 250 [251] of March 2 [20] are the same stocks and production for which the British are negotiating. This is the first point to be cleared up.

4. If such is the case, this Government does not wish to interfere with the British Silk Control's arrangement for purchase. Especially is this true since we are informed that the British Silk Control has a group of experts in Chungking who have been carrying on these negotiations.

5. However, the question of the transportation method referred to in paragraph 1 of the Department's 258 must be considered in this connection. All silk is subject to the order of the Combined Raw Materials Board sitting in Washington which allocates silk as between the British Empire and the United States in accordance with their respective war needs. It accordingly makes little difference who buys the silk. However it is understood that the decision has been made that only goods owned by the United States Government will be covered by the method referred to in paragraph 1 of the Department's 258.

6. With respect to the whole question of transportation referred to in the Department's 258 insofar as it affects all strategic materials to be brought out of China, the question of cost must be considered and the Department requests that you telegraph whether the transportation of the materials from China to the point where the service referred to in the first paragraph of the Department's 258 of April 4 will end would be without charge. The desirable solution would be to have the Chinese producers carry the cost of transportation up to the point of delivery to the place of departure of the services referred to above and to have payment made by the Reconstruction Finance Corporation, f. o. b. that point. If this can be arranged, the existing contracts between the Reconstruction Finance Corporation and the National Resources Commission and other agencies of the Chinese Government will be modified accordingly. Please telegraph fully on this point.

7. In connection with the foregoing, it will also be necessary to know what point will be the termination of the service referred to in paragraph 1 of the Department's 258 of April 4. In this connection, the Reconstruction Finance Corporation is sending to India immediately a special representative to concern himself with the question of

transportation in India which necessarily involves his considering the question of the connection between the services referred to above and rail and sea transport in India.

WELLES

811.20 Defense (M)/6365 : Telegram

The Chargé in China (Vincent) to the Secretary of State

CHUNGKING, April 26, 1942—noon.

[Received April 27—5:28 p. m.]

466. Paragraph 4 of Embassy's 425, April 17, 3 p. m. The National Resources Commission has approached the Embassy with the request that Myitkyina and/or Yunnanyi be agreed upon as points of delivery for Chinese strategic metals. The N. R. C. is anxious to avoid cost and risk of shipment across India and wants payment for delivery alongside planes at the above mentioned points. It will provide personnel for handling forwarding through India if we desire but wishes to avoid financial responsibilities. General Magruder of the American Military Mission expressed the opinion some time ago that United States Army personnel in India which is organized to handle incoming war materials could handle forwarding of outgoing strategic materials. The N. R. C. requests an early reply and states that details may be worked out with its Foreign Trade Office representative in New York.

The N. R. C. request has been foreshadowed in the attitude of the Chairman of the Commission recently. It is motivated by a desire to obtain prompt payment for metals and by an apparent lack of confidence in the prospective arrangements for transportation through Burma and India.

The Embassy has again urged the N. R. C. to make haste in transporting stocks of strategic metals in Burma and at Wanting to Myitkyina and those in China to Yunnanyi for air transport when planes are available.

VINCENT

811.20 Defense (M)/6437 : Telegram

The Chargé in China (Vincent) to the Secretary of State

CHUNGKING, May 1, 1942—11 a. m.

[Received 4:15 p. m.]

488. 1. Reference paragraph 5 of Department's 258.¹⁶ British Embassy has been notified by London that they are not to compete with us in buying bristles. However, there are more bristles on the

¹⁶ April 4, 7 p. m., p. 642.

market and in prospect than mentioned in the Department's reference and the Universal Trading Corporation does not control all stocks. The Russians are also in the market for bristles. British Embassy suggests that unified policy of efficiency might be achieved if trained persons in Jardine Matheson's office here were charged with the task of procuring bristles for all Allies under the direction of the Embassy.

2. Reference paragraph 6 of Department's 258 [and] 3 of its 295.¹⁷ The silk stocks so mentioned come from various parts of China and are not of uniform grade. Jardine Matheson on behalf of British authorities has already purchased 1000 bales of silk, is negotiating for another 1000 and plans to take all of this year's crop that is acceptable. The silk mentioned in Embassy's 251, March 20, is included in the foregoing stocks.

3. Embassy knows of no decision that only materials owned by the United States Government would be carried on transport planes to Assam. In fact when the matter of transport was discussed with General Stilwell (paragraph 1 of Embassy's 251) it was understood that transported stocks would be property of Chinese Government agency until arrival at Indian ports. The discussion was then in regard to strategic metals, but it is not believed that a different rule would apply ex-British owned silk.

4. Paragraph 6 of Department's 295. The transport planes insofar as Embassy is informed will be operated by the United States Army under General Stilwell who has indicated that if charges are to be made arrangements therefor should be made in Washington. The Embassy concurs in the opinion that China should bear transportation costs to points alongside planes and purchaser bear costs thereafter. (See paragraph 4 of Embassy's 425, April 17 and its 466 of April 26.)

5. After careful consideration of all factors and circumstances, including attitude of interested Chinese authorities, Embassy has come to the conclusion that solution of the problem lies in formation of joint purchasing agency in China with a limited but technically proficient personnel to operate in behalf of all Allies. This agency should be headed by someone experienced in dealing with Chinese officials. Embassy might be able to obtain the services of a qualified American businessman now in China. Under the agent there should be a technician to supervise purchase of metals (Embassy has suggested Lavrov as qualified) and a technician to supervise purchase of silk, bristles and possible tung oil (local staff of Jardine Matheson is qualified for this task). The purchasing agent would conduct negotiations with the Chinese for purchase of materials and their forwarding to places for air transport and maintain close contact with American military authorities in control of transport planes. Appointment of

¹⁷ April 18, 3 p. m., p. 645.

agent as officer of this Embassy might facilitate his work. The British Embassy approves this suggested organization and would give the agent full cooperation. The Soviet Embassy might wish to have representation in the organization or at least maintain liaison with it.

6. It is obvious that the course of military events in Burma will have a decisive bearing on the transport problem. However, even should transport out of China be impossible for a time it is believed that materials should be purchased and held in storage until transportation is possible.

VINCENT

811.20 Defense (M) / 6205 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, May 2, 1942—10 p. m.

349. Your 425, April 17 and 466, April 26.

1. With respect to tungsten, Metals Reserve Company is prepared to consider favorably modification of its agreement with the National Resources Commission so as to provide for payment against delivery alongside planes at Myitkyina or Yunnanyi or such other points as may be agreed upon. Such modification should be for the time being only and should be subject to reconsideration by Metals Reserve Company when transportation conditions become more normal.

2. Metals Reserve Company is not prepared at present to agree to a similar modification with respect to the tin and antimony contracts. It is understood that of the estimated potential tin production of 10,000 tons (see your 425, paragraph 2), 6,000 tons per annum have been allocated by the Combined Raw Materials Board in Washington to Russia and will be delivered direct to Russia. A proposal to allocate the entire production of Chinese tin to Russia is being examined, but a decision has not yet been made. In the meantime please inform the Department (a) whether an agreement to accept tin against delivery alongside planes would increase the amount of tin which would be delivered to the Metals Reserve Company, assuming the allocation of the balance over 6,000 tons per annum to Russia does not take place; (b) if so by how much estimated tonnage per annum; and (c) whether there is any preclusive factor in making such an arrangement, namely, whether such an agreement would divert to Metals Reserve tin which might otherwise go to the enemy.

3. It is not likely that Metals Reserve Company will agree to accept delivery of and make an agreement for antimony alongside planes at Chinese points. However, the matter is under consideration and you are requested to give the same information with respect to antimony as is requested in paragraph 2 above with respect to tin.

4. Metals Reserve has accepted in principle your suggestion that two representatives be employed by Metals Reserve to handle the acquisition and shipment of Chinese strategic materials. Metals Reserve is consulting Maritime Commission as to McKay's qualifications and will, of course, rely considerably upon the recommendations set forth in your 425. Metals Reserve does not know anything of the qualifications of Abrav [*Lavrov*] except as recited in your 425. Please telegraph more fully with respect to the qualifications of Abrav [*Lavrov*] including your suggestion as to persons whom Metals Reserve might consult in the United States as to his qualifications.

5. Metals Reserve Company will take up immediately with the National Resources Commission Foreign Trade representative in New York the proposed modification of the tungsten agreement. You probably will wish to inform the Chinese Government of these negotiations.

6. We have noted your suggestion that the National Resources Commission will provide personnel for handling forwarding through India. We consider it desirable not to take advantage of this offer until the two Metals Reserve specialists referred to in paragraph 4 above have been chosen. In this connection you are informed that Mr. John E. Waddell, representative of Metals Reserve Company, is now in India, his address being care of American Mission, New Delhi. Mr. Waddell is in charge of handling transportation problems for Metals Reserve Company in India, and McKay or whoever else is chosen will no doubt wish to establish communication with Waddell to arrange for storage and transportation of tungsten and other Chinese materials.

HULL

811.20 Defense (M)/6125 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, May 4, 1942—8 p. m.

354. Your mail despatch No. 330 March 24^{17a} reports 3305 tons tungsten tin and mercury and 500 tons wood oil ready for shipment at points in Burma. Has Dr. Wong been able to effect transport of these stocks to Myitkyina or to other places of safety and if not what is the likelihood of saving such portion of them as have not been yet lost through Japanese advance? Please report any available information.

HULL

^{17a} Not printed.

811.20 Defense (M)/6516 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, May 7, 1942—1 p. m.

[Received May 7—9:40 a. m.]

523. Department's 354, May 4, 8 p. m. The stocks in reference were not shipped to place of safety and there is no likelihood of saving any portion thereof. Will report further information when available.

GAUSS

811.20 Defense (M)/6544 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, May 9, 1942—noon.

[Received 12:55 p. m.]

534. Department's 349, May 2, 2 [10] p. m.

1. National Resources Commission has been informed of negotiations regarding tungsten.

2. Acceptance of tin alongside planes would not increase amount of tin appreciably. Production limited by physical factors and could only be increased by expansion of mining facilities which is impracticable at this time. However, inability to sell if there is prolonged interruption of transport facilities might cause contraction of production. Preclusive factor not considered of vital importance at present.

3. Production of antimony subject to large expansion. It is not believed practicable to undertake purchase in China of output but it might be considered advisable to purchase some stocks limited to our early needs for delivery alongside plane. Large potential production makes consideration of preclusive factor impracticable.

4. Report on Lavrov will be submitted separately.

GAUSS

811.20 Defense (M)/6437 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, May 15, 1942—3 p. m.

391. Paragraphs refer to the corresponding numbers in your No. 488 of May 1, 11 A. M.

1. (a) Inasmuch as the British are leaving to us purchase of Chinese bristles, it is suggested that you may wish to consult with the Soviet Embassy with a view to an understanding whereby Russians would not enter bristles market beyond the possible purchase of a certain

stipulated quantity. It would also be desirable to effect an arrangement for the coordination of prices. Defense Supplies Corporation is specifying "assortment No. 27" for which \$3 per pound is regarded as fair price. Please report as to feasibility of effecting any understanding as above described.

(b) Negotiations are proceeding here between Defense Supplies and Universal Trading Corporation for purchase of bristles, but prices asked are regarded as too high. Defense Supplies has also discussed bristles purchase here with a Vice President of Jardine Matheson, who has agreed to submit offers. Pending further developments, purchasing agent in China is not regarded as necessary, but the Department would be glad to be informed of any American suitable for this purpose in case such agency should later be found desirable.

2. We shall leave purchase of silk to the British, who, we understand, are interested only in high grades suitable for parachutes. However, please reply more specifically, if possible, to the questions asked in the Department's 258. What the Department desires to know in brief is whether there are stocks of silk which, although not of the high grade being bought by the British as suitable for parachutes, might nevertheless be purchased by the American Government for powder bags.

3. Proposed modification of tungsten contract (Department's No. 349 of May 2, 10 P. M.) would result in title passing to American Government agency alongside planes. It is also our understanding that an arrangement is being made where title of British purchased silk would be transferred to Defense Supplies and retransferred to the British upon arrival of silk in India.

4. Proposed modification of tungsten contract also contemplates Chinese bearing transportation costs from point of origin to delivery alongside planes.

5. With reference to your recommendation for a joint purchasing agency in China, the existing situation, as known to the Department, is as follows: Metals Reserve Company already has 5-year contracts covering purchase of tungsten, tin, and antimony, c.i.f. USA. Combined Raw Materials Board has already decided to divert direct to Russia 5000-6000 tons of Chinese tin, and it is possible entire Chinese tin production will be thus diverted. See Department's no. 349, Paragraph 2. There is at present no intention to make new arrangements regarding antimony although the question is being studied. No contract has been made covering wood oil and difficulties of transport and other considerations rule out this commodity at present. Silk is to be purchased by the British and bristles are to be bought as described in Paragraph 1 above. Thus it appears that all of the commodities in which we are interested are being purchased either by the British

or ourselves. In these circumstances, we feel that a joint purchasing agency is hardly necessary, but will be glad to consider any further observations on your part. However, it is recognized that some sort of organization of our own is necessary in order to supervise reception and transportation of materials as well as to pass upon technical matters. It is for this reason that the Department is interested in the possible employment of McKay and Lavrov, as outlined in our no. 349 Paragraph 4.

6. The Department heartily agrees with your conclusion in regard to the acquisition and storage of materials; for it is obvious that we must endeavor at this time, not only to give all reasonable material assistance to the Chinese, but also every moral encouragement to their war effort.

HULL

811.20 Defense (M)/6544 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, May 18, 1942—4 p. m.

402. Your No. 523, May 7, 1 p.m. and No. 534, May 9, noon. Do you consider that there is a danger either that stocks of tin within China may fall into enemy hands or that the tin mines themselves are threatened? If so, the Department would be glad to receive any suggestion as to the better safeguarding of the stocks and mines and in particular your opinion on the desirability of amending existing tin contracts with China so as to provide for full payment by the United States upon the delivery of tin to points within China to be specified by the Embassy from time to time as either safe or preferably as safe and suitable for subsequent shipment to Russia.

Foregoing should be considered in the light of the possible earmarking of total Chinese tin production to Russia.

HULL

811.20 Defense (M)/6560 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, May 18, 1942—midnight.

406. Your 546, May 11, 3 p. m.¹⁸ from Metals Reserve Company.

“Metals Reserve expects this week to exchange letters with National Resources Commission under which it will accept delivery of tungsten ores at Yunnanyi or other points in China, as may be designated. Weights as determined at these delivery points in China would be final; samples would have to be taken for determination of moisture content and for forwarding to United States for analysis.

¹⁸ Not printed.

To supervise this work and to pass on adequacy of storage arrangements it is planned by Metals Reserve to engage Lavrov, on whom favorable reports have been received from Kursell.¹⁹ Embassy is asked to make arrangements with him on a basis of compensation not exceeding \$25 per diem, plus travelling expenses, for time actually engaged in work for Metals Reserve. A later cable will advise as to how this compensation shall be paid to him.

Since Lavrov plans to proceed to United States shortly, Metals Reserve inquires whether he would be prepared to delay trip sufficiently to complete arrangements with National Resources Commission regarding procedures for weighing, sampling, storage, etc., and also to arrange for representation for Metals Reserve in his absence. Since it would be difficult to arrange for transportation to China of a qualified substitute to act in Lavrov's absence, it would be preferable to have him select such a substitute in China. It is understood here that McKay will not be available in China until after June 15 at earliest as War Shipping Administration requires him in India."

HULL

811.20 Defense (M)/6827 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, May 23, 1942—11 a. m.

[Received 11:45 a. m.]

590. Department's 402, May 18, 4 p. m.

1. Embassy does not foresee at this time a Japanese offensive in Yunnan that would endanger tin mines and stocks there. In any event reliance must be placed in Chinese military defense.

2. Embassy's object in suggesting that we purchase tin alongside plane in China was to prevent reduction in production because of Chinese inability to deliver for purchase outside of China due to transport interruption. It would seem reasonable, if tin is to be delivered to Russia, for Russians to arrange purchase in China, we placing at their disposal such transport facilities out of China through India as we may have available if transport via that route is contemplated. However, if existing contracts and understanding with Russia render purchase by United States preferable, Embassy recommends purchase in China. Metals Reserve is no doubt aware that, due to artificially high rate at which Chinese dollar is pegged to the United States dollar and to very low internal value of Chinese dollar, price of tin in Kunming is about three times higher than New York quotations.

3. American military transport planes in limited numbers have commenced arriving Kunming with defense supplies for China.

¹⁹ H. A. Kursell, 120 Broadway, New York, N. Y.

Amount of strategic supplies (tungsten and tin) that they can carry out is not large—maximum 15 tons a week for present—but opportunity to remove ever [*very?*] limited quantities should under no circumstances be lost. National Resources Commission is not prepared to deliver tungsten to the planes now but expects to make arrangement soon. It is prepared to deliver tin and, at Embassy's request, has agreed to instruct its representative in Kunming immediately to deliver tin stocks to planes against receipt of American military officer in charge at Kunming. However, NRC desires to have as soon as possible an understanding with regard to terms—price, risk, etc.—under which tin is delivered. It is requested that Embassy be authorized at once to assure Chinese that pending definitive arrangements stocks of tin (and tungsten) turned over to our planes at Kunming will be subject to reasonable credit arrangements satisfactory to the Chinese.

GAUSS

811.20 Defense (M)/6437: Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, May 25, 1942—6 p. m.

427. From Defense Supplies Corporation:

“With further reference to the subject matter of our telegram of May 15, 1942, No. 391, Defense Supplies Corporation has purchased 4,000 cases ex-warehouse Chungking and 1,000 cases ex-warehouse Kunming of No. 27 assortment black Chungking bristles at \$3.40 per pound Chungking and \$3.50 per pound Kunming.

Agreement has also been reached with the China National Aviation Corporation under which latter agree to undertake transportation of these bristles by surface means to the China terminal of an airline and from there by air to a point outside China where suitable facilities for onward transportation are available. At latter point Waddell will take possession for Defense Supplies and arrange for further transportation.

Defense Supplies Corporation will make disbursement of 75 percent of purchase price upon receipt of advice from American Embassy or Consul that he has warehouse receipts covering cases in question. In this connection Defense Supplies is anxious that check be made to make sure that each case is as represented. They request you contact Jardine Matheson and ascertain what their charges would be for their certificate that each case contains the No. 27 assortment. Payment of their charges would be made in the United States upon receipt of cabled advice from Embassy or Consul that he has their certificate. If this plan feasible, Embassy or Consul should obtain certificate and warehouse receipt simultaneously and cable advice to that effect. Defense Supplies Corporation would then authorize release warehouse

receipts to China National Aviation Corporation in return for latter's receipt, it being contemplated that CNAC would request warehouse receipts as transportation became available. CNAC would pay incidental expenses for account of Defense Supplies for which they would receive reimbursement along with payment of transportation charges.

Your immediate attention to this matter is especially requested and Defense Supplies would appreciate your early comment regarding practicability of above as well as your suggestions."

HULL

811.20 Defense (M)/6876 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, May 27, 1942—[?] a. m.

[Received 7:10 p. m.]

611. Embassy's 590, May 23, 11 a. m. China National Aviation Corporation has approached Embassy with offer to transport tin or tungsten from Kunming to Assam (Dinjan) at rate of United States dollars 750 per ton. Tonnages involved would not be large. Metals Reserve may wish consider offer. American military transport planes are now taking out limited quantities of tin and will start moving tungsten soon.

GAUSS

811.20 Defense (M)/6905 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, May 28, 1942—3 p. m.

[Received May 30—1:10 p. m.]

626. Reference paragraph 1 of Department's 391, May 15, 3 p. m. Embassy has learned from Russian trade representative here that Russian bristles requirements for 1942 are not expected to exceed 300 tons of an estimated Chinese production of 1500 tons. Russians are understood to have purchased from Fooshing recently 900 cases of no. 27 for delivery to Lanchow. Representative considers \$3 alongside plane Kunming a fair price for no. 27 assortment. He was favorably disposed toward suggestion of an understanding with regard to stipulation of quantities and coordination of prices but felt that such understanding might be more expeditiously reached in Washington.

Department's 427, May 25, 6 p. m. just received and will receive prompt attention.

GAUSS

811.20 Defense (M)/6827 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, June 4, 1942—9 p. m.

477. Reference your 590, May 23, and especially paragraph 3.

1. Arrangements have been concluded here for the modification of the Metals Reserve-National Resources Commission tungsten contract so as to provide for the payment of \$19.50 per unit for tungsten, f. a. s. planes Yunnanyi, or other points agreed upon by the Chinese Government and this Government. This meets the request of your paragraph 3 in so far as tungsten is concerned. See Department's no. 406, May 18.

2. The Department has had in mind that first priority for outgoing airplane shipments to India should be given to tungsten, silk, and bristles, without preference of one over the other, it being expected that mixed cargoes of these three materials would be the most effective method of transport. In view of limited extent of this service, the Department has not counted upon export of tin, antimony, or other Chinese products by air to India.

3. Combined Raw Materials Board has decided to allocate to Russia entire exportable surplus of Chinese tin from now until June 30, 1943. Present plan (which has not yet been fully worked out) contemplates that Metals Reserve Company will modify existing tin contracts with the CNRC—in a manner similar to that followed with the tungsten contracts—so as to provide for the purchase of the tin in storage points in China to be agreed upon by the Chinese and Soviet authorities, subject to your approval. Tin would then be made available to Soviet Russia under provisions of Lend-Lease and Soviet authorities would undertake transport of tin from points of purchase by northwest caravan route to Russia. These arrangements are being perfected and you will be kept informed of their progress. If successfully completed, this arrangement would seem to obviate danger of reduced production referred to in your paragraph 2.

4. In view of Japanese tin holdings, there seems no preclusive aspect in purchase of this metal. However, should plan above outlined prove abortive (which it is believed is unlikely), the Department will nevertheless give consideration to purchase of tin at suitable points in China in the hope that India air service may become sufficiently extended or that other means of transport may eventually be found. Your opinion on this point is desired, as well as any comments you may have to offer on the plan in general.

5. The Department desires that you do all in your power to see to it that no available space is unused on outgoing planes. As has been stated above first priority must be given to tungsten, bristles and

silk and you are accordingly requested to use every effort to fill up all available space with these products, disregarding where necessary formalities as to inspection as well as other technicalities. If despite your efforts in this regard there still remains empty space, tin may be loaded but this should be done only as a last resort and after every effort has been made to fill the space with tungsten, bristles and silk.

6. It is to be assumed that the amount of available outgoing plane space from China will increase. You are accordingly requested to do everything possible to coordinate the delivery of tungsten, bristles and silk to points alongside planes so that all of the available cargo space will be utilized to transport these commodities. You are requested to inform the Department fully as to the plans for this coordination of shipments and to telegraph the Department generally on the whole subject covered by this telegram.

HULL

811.20 Defense (M) /7163 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, June 11, 1942—10 a. m.

[Received June 11—9:41 a. m.]

691. Department's telegram No. 476, June 4, 11 a. m. [8 p. m.]²⁰

1. Probable production of mercury during 1942 and 1943 will be 200 and 250 tons respectively.

2. Entire production for 1942 is committed to Russia for loan repayments. Exports during 1943 have not been decided as yet.

3. Local consumption of mercury is approximately 20 tons annually.

4. About 50 tons of mercury not earmarked for export are now on hand of which 35 tons are near Kunming and available for shipment to the United States.

The above information was obtained from the Minister of Economic Affairs.

GAUSS

811.20 Defense (M) /7154 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, June 25, 1942—noon.

558. Your no. 684, June 10, 11 a. m.²¹

1. Offer of CNAC to transport metals is still receiving consideration. Your no. 611, May 27.

²⁰ Not printed; it requested a report on production, consumption, and export of mercury during 1942 and 1943 (811.20 Defense (M) Union of So. Africa/147a).

²¹ Not printed.

2. Project of making Chinese tin available to the Soviet Union by the northwest route is under discussion with the Soviet authorities. Yin, representative of the Chinese National Resources Commission, asserts inability of the Chinese to transport tin or to do anything more than make delivery at Kunming, but has offered to make cable inquiry. Department therefore has noted with interest your comment that Chinese can and should transport tin to point in northwest.

3. Department is gratified at progress made in shipment materials and hopes that arrangements regarding bristles will now go forward, Department's no. 537 June 20, 1 p. m.²²

4. Director Air Transport Project, BEW,²³ desires regular reports air shipments from China all commodities by both army and CNAC planes. Please instruct Consul [at] Kunming report regularly including summary shipments already made.

HULL

811.20 Defense (M)/7337 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, June 29, 1942—6 p. m.

567. Your 723, June 19, 10 a. m.²² Pending completion of a full report on silk, Combined Raw Materials Board has adopted an interim decision incorporating certain recommendations substance of which is as follows:

Available raw silk, waste silk, and noils in North and South America are to be at the disposal of the United States and the United Kingdom is not to purchase in those markets. Similarly, United States is to refrain from purchases in China, India, Africa, and the Near and Middle East, where purchases are to be made by the British only. Each country will notify the other of any available quantities of silk in excess of its own requirements and will purchase for the other on specific terms.

You need not, therefore, pursue matter further for the present.

HULL

811.20 Defense (M)/7163 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, July 7, 1942—8 p. m.

603. Your no. 691, June 11, 10 a. m. Please report as closely as possible amounts of mercury on hand ready for export, specifying

²² Not printed.

²³ Board of Economic Warfare.

any quantity that may be ear-marked for Soviet Russia, as well as quantity free mercury available for the United States. Where is this mercury located and is it sufficiently near Kunming to be picked up immediately provided air space is available, as indicated in Kunming's no. 38, July 2, 12 noon?²⁵

Is the Department to understand that, in addition to any quantities on hand, this year's production will be some 200 tons of which 180 will be committed to Russia for loan payments?

HULL

811.20 Defense (M)/7639: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 9, 1942—noon.

[Received 12:21 p. m.]

817. Your 603, July 7. The answer to inquiry in second paragraph is affirmative. Embassy has not been able to ascertain what part of this year's production earmarked for Russia is actually ready for export to Russia. Transportation to Lanchow is, as with other materials, the principal problem.

Irrespective of commitments to Russia, there are now in and near Kunming, according to information given Vincent while he was in Kunming by Director of Foreign Trade Office of National Resources Commission, actually 75 tons (rather than 35 tons as mentioned in Embassy's 691, June 11) readily available for export to United States. The Director has made an offer in writing to sell this mercury to us f. o. b. plane Kunming for United States dollars 194 per flask and has suggested that, due to difficulty opening and sealing flasks, sampling be done in New York and arrangement be made to accept gross weight in Kunming as provisional basis for payment of 65% of the agreed price.

GAUSS

811.20 Defense (M)/7867: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 22, 1942—10 a. m.

[Received 11:30 a. m.]

864. Embassy's 817, July 9, noon. National Resources Commission representative states that the Russians desire the mercury at Kunming and will take delivery there. The Russian trade representative states he has been urged to expedite shipment of mercury; that of contracted

²⁵ Not printed.

200 tons for this year Chinese have delivered only about 40; and that unless we are in urgent need of the mercury he wishes to take stocks at Kunming. He and NRC have been told that insofar as Embassy is aware we have no claim on stocks.

GAUSS

811.20 Defense (M)/7639: Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, July 25, 1942—4 p. m.

669. Your no. 864 of July 22, 10 a. m. Our basic interest in the mercury at Kunming is a preclusive one. It is important that it does not fall into Japanese hands. If the Russians acquire these stocks, please suggest that they be transported by northwest route at early date. Keep the Department informed.

HULL

811.20 Defense (M)/8110: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, August 4, 1942—2 p. m.

[Received August 4—11:20 a. m.]

907. For Milo Perkins²⁶ from Currie.²⁷ Air transport of tungsten, tin, bristles, silk for British parachutes, from Yunnanfu prevents movement of Chinese troops to India for equipping and training. Are exports of these items vital or important to our war effort? Are substitutes or alternate sources available? Advise immediately care George Merrell, New Delhi. [Currie.]

GAUSS

811.20 Defense (M)/8110: Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, August 5, 1942—4 p. m.

699. Your 907, August 4, 2 p. m. The Department will appreciate your telegraphing urgently further details on the subject of the telegram referred to as well as any comments which you may wish to make on the subject. It is suggested that you may wish to confer with General Stilwell in this connection.²⁸

HULL

²⁶ Director, Board of Economic Warfare.

²⁷ Lauchlin Currie, Administrative Assistant to President Roosevelt.

²⁸ For Ambassador Gauss' reply, see telegram No. 921, August 8, 11 p. m., p. 125.

811.20 Defense (M)/8172 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, August 8, 1942—9 a. m.

[Received August 8—8:20 a. m.]

919. Department's 689, August 1, 9 p. m.²⁹ Stocks of metallic tin were reported in Kunming's No. 39, July 3, 10 a. m.³⁰ Of the 4,000 tons in Kunming and vicinity, 300 refined to 99% are immediately available for shipment. Balance is sub-standard which could be readily refined if there were demand for export.

Production is being maintained at rate of 500 to 700 tons monthly, but Kwok of National Resources Commission states that curtailment necessary soon if there is no demand from abroad. He desires to know as soon as possible (1) whether Metals Reserve wishes to purchase tin; (2) if so, in what amount; and, (3) price.

Kwok states that present stocks more than ample, considering limited transport facilities in China, for shipments to Russia via Sinkiang. National Resources Commission hopes to be able to deliver some 2,000 tons of tin and tungsten to Hami for Russians by the end of this year, but is not confident that available transport will enable it to do so.

In view of the limited air transport facilities out of Kunming (about 75 tons a week now with prospects of increase uncertain) it seems to Embassy that decision regarding purchase of tin depends on whether tungsten or tin is more urgently needed. Preclusive or psychological factors should not play part in decision.

Kwok requests information regarding purchase arrangements 51 tons of tin shipped from Kunming in June (see Kunming's telegram 39).

GAUSS

811.20 Defense (M)/8172 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, August 15, 1942—8 p. m.

736. Your no. 919, August 8.

1. Metals Reserve states that at this time it is more important to obtain tungsten from China than tin. No arrangements have yet been made for the diversion of Chinese tin to Russia and, unless and until such arrangements are completed, Chinese should not be encouraged to believe that we will be able to lift tin supplies from China. Metals

²⁹ Not printed; it asked for latest estimate of stocks of metallic tin available for shipment abroad (893.24/1330).

³⁰ Not printed.

Reserve believes payment for tin already shipped from Kunming in June should be paid for in accordance with existing contract, any freight charges advanced by us to be deducted from contract price.

2. Yin of the Chinese National Resources Commission states that he has received telegram from the Commission to the effect that supplies of tungsten available for shipment are about exhausted and requests permission to ship tin "temporarily" until further tungsten available. Kunming's telegrams indicate that up to August 1, approximately 275 tons of tungsten had been shipped. Kunming's no. 36, July 2³¹ indicates approximately 1,600 tons tungsten available Kunming and vicinity. Yin's report appears entirely at variance with the foregoing and with the reports that Lavrov brought with him. Please investigate and report promptly with recommendations.

HULL

811.20 Defense (M)/8833 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, September 11, 1942—4 p. m.

823. 1. We are very much gratified at the increase air shipments reported in Kunming's no. 71 of September 3, 9 a. m.³¹ However, discrepancy appears between total wolfram shipped up to September 1 and total wolfram samples. Former amount is approximately 849,000 kilograms whereas latter appears to be less by about 125,000 kilograms. Can you clarify? Suggest repeat first paragraph Kunming's no. 60 of August 6, 4 p. m.³¹ apparently badly garbled.

2. With reference to your no. 919 of August 8, 9 a. m. Metals Reserve cannot see its way to purchase tin at this time without opportunity for transport out of China.

No encouragement is being given to the Chinese here in response to the request that tin be temporarily substituted for wolfram lest they fail to make every possible effort to supply wolfram in sufficient quantity to utilize all available space consonant with the needs of the other high priority materials. Do you consider that the Chinese can supply wolfram sufficient for this purpose; and if not have you any recommendations?

3. With reference to the Department's no. 778 of August 29, noon,³¹ has any progress been made in the transport of bristles out of Chungking?

HULL

³¹ Not printed.

811.20 Defense (M)/9000 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, September 14, 1942—9 a. m.

[Received 8 p. m.]

1032. Department's 736, August 15, 8 p. m. National Resources Commission is becoming increasingly concerned that it will not be able to supply sufficient quantities of wolfram at Kunming to load outgoing planes which took lot 670 tons in August (624 tons of wolfram) and which may have space in September for 1000 tons and perhaps more in October. Director of NRC undertakes to provide wolfram as rapidly as possible but desires that arrangement be made for shipment of tin if wolfram in sufficient quantity is not available. There are now 1000 tons of refined tin available at Kunming. Embassy has informed NRC that matter has been referred to Metals Reserve. Embassy assumes that, if Metals Reserve agrees to take tin, terms with regard to price, quality, etc., will be settled in Washington and that authorization will be given for CNAC to transport tin to Dinjan for \$750 per ton as in the case of wolfram.

GAUSS

811.20 Defense (M)/9000 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, September 15, 1942—midnight.

838. British here are concerned over small quantity of silk shipped from China in recent weeks. Please ascertain whether any accumulation British owned silk at Kunming delayed shipment to India by reason of lack of air space. If so how much? If any conflict for space between silk and mercury endeavor to arrange priority for the former. However, your no. 1032 of September 14, 9 a. m. indicates ample space from now on. Questions raised in your telegram regarding wolfram and tin are being given consideration.

Your comment on any phase of the foregoing will be appreciated.

HULL

811.20 Defense (M)/9232 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, September 22, 1942—2 p. m.

[Received 5:15 p. m.]

1085. Department's 838, September 15, midnight. Small quantity of silk shipped from China due to inability of British to obtain

supplies. There is no accumulation of silk at Kunming awaiting shipment. Shipment of mercury, which was urgently required by Russia, at no time interfered with shipment of silk. Only 40 tons were involved. It would appear that maximum amount of silk which the British may be able to obtain remainder of this year will not exceed 100 tons. Air freight space for this quantity will be readily available.

GAUSS

811.20 Defense (M)/9000 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, September 22, 1942—5 p. m.

854. With reference to your no. 1032 of September 14, 9 a. m. Metals Reserve refers to the increase in available plane space from Kunming and to the possibility of its exceeding tungsten ore ready for shipment. Company desires to have your comments and those of Mr. Fritz as to any measures that might serve to increase the incentive for the National Resources Commission to move tungsten ore to Kunming.

If the available plane space is as great as indicated Metals Reserve assumes that some tin will be shipped as production of tungsten ore is presumably not at present running at an annual rate of 12,000 tons. However, the tungsten is so much preferred to tin that the company wishes to insure that all available tungsten is moved. Any suggestion for action by the Metals Reserve will be very much appreciated. In particular do you think that tungsten supplies could be increased (1) if the price were raised to \$22.60 a short ton unit instead of \$19.50 (price would probably have to be limited to this maximum because of commitments to other countries) (2) if the percentage paid for tungsten ore in warehouses were increased from the present 65% to say 80%.

Thus far as stated in the Department's 823 of September 11 company has informed National Resources Commission that it is not prepared to modify contract regarding purchase of Chinese tin. This contract provides for payment only after tin is delivered at New York.

However, Combined Raw Materials Board has recommended that Chinese tin be allocated to India to the extent of 1,100 tons per annum or to Russia. Therefore tin contract probably should be modified so as to provide for payment F. O. B. Dinjan. In as much as the air freight from Kunming to Dinjan on CNAC planes is almost as much as the value of the tin, it would be preferable if tin were not transported on commercial planes but only by planes of the army.

Metals Reserve Company will appreciate your early comments.

HULL

811.20 Defense (M)/9555 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, October 12, 1942—11 a. m.

[Received 5:06 p. m.]

1165. Department's 854, September 22, 5 p. m. Kunming Consulate reports that, until new cargo plane field at Yanglin near Kunming is completed towards end of year, there does not appear to be much likelihood that available plane space will exceed cargo. Beginning next year it may be advisable to devise means to encourage increased deliveries of wolfram.

United States Army headquarters here has informed Embassy of temporary interruption of shipment of strategic materials to provide for transfer of Chinese troops to India by air.

Department's 879, September 28, 6 p. m.,³⁴ last paragraph. All available air space now being utilized as far as is known.

GAUSS

811.20 Defense (M)/9957 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, October 31, 1942—1 p. m.

[Received 11 p. m.]

1247. Following is current situation regarding strategic metals for information Metals Reserve.

1. United States Army transport planes are being fully employed on west bound trip for transfer of Chinese troops from Kunming to India. Lend-Lease transport planes of CNAC are being similarly employed under United States Army control. This operation will continue for another 2 to 4 weeks.

2. Arrivals of wolfram at Kunming are discouraging but it is hoped that improvement will be brought about through pressure on NRC. Temporary cessation of shipments will permit accumulation of small stocks but once planes recommence hauling cargo those stocks will be soon exhausted and it is doubtful that even with anticipated improvement arrival of wolfram at Kunming will be in sufficient quantity to occupy full plane space.

3. Soviet trade representative has requested Embassy's good offices in arranging for shipment by plane from Kunming to India of about 80 tons of mercury and 750 tons of tin. Russians are accepting these metals ex-warehouse Kunming from Chinese. Trade representative states that metals are urgently needed in Russia and is extremely anxious to obtain air transport to India.

³⁴ Not printed.

4. The Embassy proposes: to keep wolfram on priority for out shipment when operation described in paragraph 1 is completed; to give mercury for Russia equal treatment with wolfram; and to authorize shipment of tin for Russia when wolfram insufficient to employ space. This plan should provide for full utilization of space for several months. United States Army authorities will follow Embassy's requests regarding priorities for strategic materials for planes subject to strictly military exigencies and needs. Does Metals Reserve approve foregoing plan?

GAUSS

811.20 Defense (M)/9996b : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, October 31, 1942—7 p. m.

1017. Metals Reserve advises that it and the Board of Economic Warfare have discussed several times with Yin of the National Resources Commission amending contract for purchase of tin under which company would accept delivery at a point within China. A letter has been addressed to Yin in the following sense.

As air transport facilities from China to India will tend to increase, Metals Reserve has desired to make arrangement which will increase quantities tungsten ore delivered at Kunming airport and which will provide basis for settling for such tin metal as may utilize plane space not required for tungsten.

To attain these objectives company is prepared amend contract as follows:

1. Increase price for tungsten ore of standard specifications to \$21.00 per short ton unit delivered at warehouse at places named by company's representatives in China from present price \$19.50 per unit: also provide for initial payment of 75% instead of 65%.

2. Establish base price for tin metal standard quality (99.8%) of 53 cents per pound f. o. b. planes Kunming. However, it would be provided that company may decline to accept tin in excess of 50% of tonnage of tungsten deliveries in any one month.

3. If Chinese prefer company would be willing to negotiate contract for delivery of tin f. o. b. steamer at Indian ports, and the Chinese National Resources Commission would pay any actual expenses in transport from Kunming.

Yin's initial reaction has not been favorable. He appears to desire arrangement for 60 cents per pound for tin f. o. b. planes Kunming, asserting that China should receive treatment equal to that given Bolivia. As Bolivian tin is being bought at available ocean ports Metals Reserve believes that even if desirable it would not be possible

to make arrangement for delivery at Kunming which would in every sense be equivalent to the treatment accorded to Bolivia.

Embassy will note that company has voluntarily stated willingness to increase price of tungsten and also to pay higher proportion of the value of the tungsten when notified that the metal has been delivered.

If it is felt desirable Embassy may give foregoing information to National Resources Commission. However, whether or not matter is discussed with members of the Commission, Metals Reserve would appreciate Embassy's comments. Furthermore company would like to have regular reports of any information obtained in regard to the trend of production of tungsten.

HULL

811.20 Defense (M)/10207: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, November 11, 1942—1 p. m.

[Received November 12—10:15 a. m.]

1315. Department's 1017, October 31, 7 p. m. For Metals Reserve. Matters in reference telegram have been discussed with official of National Resources Commission who was already informed regarding proposed alteration of tungsten contract and discussion with respect to tin. Quite naturally he adopted same attitude as Mr. Yin with regard to tin price rather unconvincingly supporting contention that China should receive same price as Bolivia. It is true that Chinese production cost of tin in terms of United States dollars is high but this is due to unrealistic rate between Chinese and United States dollars (20 to 1 when 80 to 1 would be more in line with actual value). Thus production cost of 80,000 Chinese dollars per ton becomes United States dollars 4,000. With regard to your subparagraph 3, Chinese are not in a position to consider making deliveries to ports on the west coast of India.

In discussions on tin, it should be borne in mind that it is impracticable to refine Yunnan tin, which forms bulk of Chinese tin, to standard quality of 99.8 or even 99.7. The quality varies between 99 and 99.6. Tin produced in Kwangsi (about 2000 tons annually) can be refined to 99.7 and sometimes higher. But the tin which the Chinese contemplate our taking is from the stocks in Yunnan where about 10,000 tons are refined annually.

Reference is made to Embassy's telegrams number 1247, October 31, 9 a. m. [1 p. m.] and 1293, November 6, 11 a. m.²⁵ The Russians are anxious to take all the Chinese tin ex-warehouse Kunming that can be transported out by plane. It appears that determination of

²⁵ Latter not printed.

price to Russians is awaiting the outcome of our discussions, the Chinese maintaining that the Russians should pay. It is suggested that settlement in Washington of question of relative urgency of Russian and our need for tin be settled before proceeding further with our discussions with Chinese regarding tin.

Production of tungsten is proceeding at average rate of 1000 tons a month and it is expected that this average will be maintained in 1943. However, until present facilities are improved, we cannot count on delivery to planes of much more than 500 tons a month. Chinese promise to take all available measures to improve transportation. After handling mercury for Russia (about 80 tons), silk for Britain (about 15 tons) and whatever amount of long length bristles, we may purchase in the future, tin for Russia and/or for United States would constitute balance of cargo for planes to make up deficiency of tungsten cargo.

GAUSS

811.20 Defense (M)/9957: Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, November 14, 1942—6 p. m.

1085. Your no. 1247 of October 31, 1 p. m. Russian request to transport about 80 tons of mercury and 750 tons of tin is approved provided that supplies wolfram silk and bristles available for shipment retain first priority. Tin and mercury for Russia may then be shipped in priority desired by Soviet trade representative. It is hoped that this will be satisfactory as we are informed shipments mercury to Russia are being made from this country.

It is understood that Russian shipments will utilize CNAC planes as fully as may be feasible; that Russian representative will accept all shipments on arrival in Assam; and that United States Government assumes no responsibility in connection with these shipments.

HULL

811.20 Defense (M)/10458c: Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, November 14, 1942—7 p. m.

1086. With regard to tin and tungsten contracts Metals Reserve advises that following points have been agreed upon with the Chinese National Resources Commission.

1. Tungsten price will be raised to \$22.60 short ton unit at warehouse Kunming for ore of standard specifications.

2. Premiums and penalties for ore not of standard specifications will be in accordance with contract of Metals Reserve for Bolivian ores.

3. Instead of 65% as at present Metals Reserve will make payment of 75% of ore value accepted by their representative.

4. New tungsten basis will be regarded effective as of November 1.

5. Tin price will be fixed at 53 cents per pound f. o. b. planes Kunming for tin of 99.8% purity.

6. Penalties for tin of less purity than figure mentioned in 5 will be based on discounts established in U. S. under OPA price schedule.

Contract to make effective these changes is now in course of preparation.

As Metals Reserve has made very substantial concessions we hope that production and deliveries tungsten to Kunming will be greatly expanded. Please keep us fully advised.

HULL

811.20 Defense (M)/9957 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, November 17, 1942—10 p. m.

1103. Department's no. 1085, November 14, 6 p.m. and no. 1086, November 14, 7 p. m. Metals Reserve is quite willing that the tin to be transported for Russia should precede that purchased for account of the Metals Reserve Company.

HULL

811.20 Defense (M)/10207 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, November 25, 1942—10 p. m.

1148. Your no. 1315 of November 11, 1 p. m. In accordance with the Decisions of the Combined Raw Materials Board, the entire exportable surplus of Chinese tin has been allocated to Soviet Russia, with the exception of a maximum of 1100 tons per annum for India. In compensation for this Indian allotment, a corresponding amount of U. K. tin would be shipped to Russia. Any Chinese tin purchased by Metals Reserve would thus be shipped to Russia subject to the proviso regarding India. As stated in the Department's no. 1103 of November 17, 10 p. m. Metals Reserve has no objection to tin purchased by the Russians being given priority in air shipment over tin delivered under Metals Reserve contract as in either case the destination is the same.

With regard to your statement that deliveries of tungsten to airport may not come to more than 500 tons per month, Metals Reserve

is interested to know whether there is anything that might be done here to assist the Chinese in improving transportation. Have you any suggestions?

HULL

811.20 Defense (M)/10519 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, November 26, 1942—10 a. m.

[Received November 27—8:50 a. m.]

1390. Department's 1086, November 14, 11 [7] p. m., strategic materials. CNRC representative informs Embassy that agreement has been reached in Washington whereby Metals Reserve undertakes to accept tin deliveries f. o. b. planes Kunming in an amount not exceeding 50% of wolfram deliveries. Embassy requests confirmation, and clarification on following point: Is it intended that tin will be accepted irrespective of available plane space for export (that is, for storage if planes are fully utilized for other cargo) or tin not to exceed 50% of wolfram delivered will be accepted only as it is required to fill outgoing plane space? As matters now stand, troops will continue to occupy most of space for several weeks to come. When this operation is completed, accumulated wolfram, and mercury and tin for Russia will fully utilize space for over a month. Hence it is not likely on present priorities that tin shipments for us would be made before February and, since tin is readily available at Kunming, acceptance of deliveries need not commence until that time.

GAUSS

811.20 Defense (M)/10593 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, November 30, 1942—2 p. m.

[Received December 1—7:25 a. m.]

1406. Strategic materials. There would appear to be no practical manner in which Metals Reserve might assist, as suggested in your 1148, November 25, 10 p. m., in improving transportation of wolfram, although Embassy will mention suggestion to Metals Reserve Company in hope that it might bring forth greater endeavor to organize transport more effectively.

Regarding tin it is pertinent to note that even after delivery of 750 tons of tin for Russia (Embassy's 1247, October 31, 1 p. m.) Chinese fall short of making full deliveries in accordance with 1942 agreement. Sino-Soviet 1943 agreement calls for delivery by China of 4000 tons of wolfram, 2000 tons tin and 200 tons mercury. Chinese will endeavor to deliver wolfram to Russians in Sinkiang but it is not

expected that they will organize such overland transport for tin and the Russians desire air transport from Kunming for mercury. Therefore it would seem reasonable to move tin actually contracted by Russia prior to moving tin which we may take under contract for allocation to Russia. Russian tin would be given priority position ahead of our tin and only question arising would be priority position of 1100 tons of tin for India.

GAUSS

811.20 Defense (M)/10519: Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, December 3, 1942—8 p. m.

1182. Your no. 1390 of November 26, 10 a. m. Metals Reserve states that its option provides that tin need not be accepted above an amount equal to 50% of tungsten shipments. However, this does not mean that the tin would be shipped if there were enough tungsten available to take all plane space. The limitation is to apply only at our option in case there is insufficient tungsten to fill plane space.

HULL

811.20 Defense (M)/11226: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, December 29, 1942—noon.

[Received December 31—12: 15 p. m.]

1564. For Metals Reserve. Wolfram deliveries are not coming up to expectations and we are again faced with the prospect of outgoing planes not having sufficient cargo; this despite deliveries of tin in ratio of 1 to 2 of wolfram. NRC suggests we accept advance deliveries of tin against future deliveries of wolfram. Embassy proposes to authorize the acceptance of 1,000 tons of tin for early delivery against promised delivery of 2,000 tons of wolfram by end of April. Request prompt reply giving Metals Reserve's reaction to this proposal inasmuch as we should begin acceptances early in January. This plan will meet present situation. Hope that it will be unnecessary to accept further tin deliveries until 2,000 tons of wolfram are delivered and that Chinese will be able to deliver 2,000 tons of wolfram in the 4 months period allowed. However, if Army planes are able to take out average of 1,000 tons a month as now seems possible, it will be necessary to provide an additional 1,000 tons of cargo and Embassy has in mind suggesting that tin under contract to Russia be used to take up slack.

GAUSS

SUPPORT BY THE DEPARTMENT OF STATE OF CHINESE
REQUESTS FOR PLANES FOR INTERNAL TRANSPORT
IN CHINA

893.796/301 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, March 26, 1942—11 a. m.

[Received 7:12 p. m.]

279. General Magruder¹ has informed me through the Naval Attaché that General Ho Ying-chin² has stated to him that he has been considering for some time desirability of placing the operation of the commercial air services, that is, China National Aviation Corporation and Eurasia Corporation, under military control and that he proposes in the near future to recommend to the Generalissimo³ that they be placed under the National Commission on Aeronautical Affairs.

While this appears to be a rational measure under the war situation, it is pointed out that it would probably result in the demoralization of the American-operated China National Aviation [Corporation]. The Aeronautical Affairs Commission is notoriously inefficient and there have been recent instances of interference with CNAC planes by [orders?] of that commission resulting in overloading of planes.

I suggest that this matter be discussed with Bixby⁴ of Pan American Airways and Bond⁵ of CNAC who recently left for the United States.

I am taking no action unless and until instructed but consider matter of importance to efficient and safe operation of air services and also of importance to American aviation interests for the future. I am under the impression that the proposal may violate the agreement with Pan American Airways. I believe we could have the whip hand in this matter through reservations we might make if necessary on Lend-Lease planes to be delivered for the China air services.

GAUSS

¹ Gen. John A. Magruder, Chief of United States Military Mission to China.

² Chinese War Minister and Chief of the Chinese General Staff.

³ Generalissimo Chiang Kai-shek, President of the Chinese Executive Yuan (Premier) and Allied Supreme Commander in the China Theater.

⁴ Harold M. Bixby.

⁵ W. L. Bond, General Manager, China National Aviation Corporation.

893.796/301 : Telegram

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

WASHINGTON, April 4, 1942—6 p. m.

259. Your 279, March 26, 11 a. m., in regard to proposed change in control of the planes of the China National Aviation Corporation and Eurasia Corporation.

1. Officials of the Department have discussed the subject matter of your telegram under reference with Currie⁶ and also with Cooper, Vice President of Pan American Airways, and Bond of the C. N. A. C. All concerned agree that unfortunate loss of efficiency would probably result from any attempt to change at this time the set-up under which the C. N. A. C. planes are being operated. The China National Aviation Corporation has an outstanding record of efficiency over a long period and its operations afford a shining example of successful international cooperation in the field of communications and transportation. The pilots of the C. N. A. C. have a notable record of loyalty and devotion to their present management, having performed at times almost impossible feats in maintaining communications under very difficult conditions. Any measure designed to change the set-up under which those pilots have been working might have highly adverse effect upon their morale.

2. The matter has also been discussed with officers of the War and Navy Departments who concur in the views expressed herein.

3. The Department suggests that you discuss the matter with the Military and Naval Attachés and with General Stilwell⁷ (or, in his absence, with a responsible member of his staff) and that, unless objection is perceived, you seek an early occasion to convey in such manner as you deem appropriate the substance of the above to appropriate, responsible Chinese authorities, expressing tactfully but clearly the earnest hope of this Government that nothing will be done to change at this time the administrative conditions under which the planes of the C. N. A. C. are so effectively discharging their task of maintaining communications vital to the joint war effort of the United Nations. In so doing please emphasize that in making these comments and in expressing this hope this Government is not motivated by any question of legal technicalities or rights but solely by a desire, which we are confident the Chinese Government shares, that an essential enterprise be operated with maximum effectiveness to the advantage of all concerned.

⁶ Lauchlin Currie, Administrative Assistant to President Roosevelt.

⁷ Gen. Joseph W. Stilwell, Commanding General, United States Army Forces in China, Burma, and India.

4. For your background information, T. V. Soong^a addressed a letter to Currie on October 7, 1941, in which Soong stated that the DC-3 transport planes to be procured through Lease-Lend would be operated for the Chinese Government by the personnel of the China National Aviation Corporation. While because of technical considerations the word "personnel" was used in Soong's letter, the definite understanding was that the C. N. A. C. should operate the planes mentioned.

5. For your further information. Bond feels that American pilots would be loath to continue their employment under the proposed change. He states that C. N. A. C. at the present time has but one Chinese pilot qualified to operate DC-3's.

6. Please keep the Department informed of developments.

WELLES

893.796/303 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, April 10, 1942—noon.

[Received 5:45 p. m.]

383. Reference your 259, April 4, 6 p. m., regarding proposed military control of commercial air services in China.

In absence of General Stilwell, I consulted General Magruder who asked that name of General Ho be not disclosed and expressed opinion that Chinese would not take action without consulting American interests in advance, in which opinion the Military and Naval Attachés and I do not concur. Yesterday I brought matter orally and informally to the attention of the Political Vice Minister of Foreign Affairs, without indicating source of information, and made the friendly representations outlined in your telegram. Vice Minister said he had no information on matter but would report my representations to the proper quarter.

GAUSS

893.24/1320 : Telegram

President Roosevelt's Personal Representative in India (Johnson) to the Secretary of State

NEW DELHI, April 16, 1942—3 p. m.

[Received April 16—2:30 p. m.]

187. For the President and Acting Secretary. I have from M. X. Quinn Shaughnessy, Advisor to the China Defense Supplies, the following signed memorandum:

^a Personal representative of Generalissimo Chiang in the United States and Chinese Minister for Foreign Affairs since December 1941.

“Sole movement war supplies to China since fall of Rangoon as follows: Since March 7, army allocated 2 C-39's by Stilwell to fly freight to China. Two hundred tons urgent medical supplies moved Calcutta for shipment to Lashio. Less than 12 tons were moved by army planes due to pilot illness and maintenance difficulties. During same period Chinese National Airways moved 27 tons aircraft parts and medical supplies from Calcutta in addition to its other war cargo. Chinese National Airways has only 4 planes available, 2 of which were allocated to Calcutta-Chungking service.

April 8 Chinese National Airways inaugurated service from Dinjan, Assam, to Myitkyina, Burma, with 2 planes moving 16 tons per day, aviation gasoline and ammunition. One of the two army C-39's (carrying army passengers not freight) lost on flight from Chungking to Kunming, landed 150 miles from Canton near Japanese lines. Probably caused [by?] army pilots having only 300 to 400 hours. Plane wrecked, Chinese National Airways mechanics endeavored to salvage.

In February President allocated 100 transports ferry freight India to China, 75 to army, 25 to Chinese National Airways. Three for army have arrived, 6 more due. No planes delivered to Chinese National Airways. Believe this delay forwarding planes due primarily to discouraging reports by the army on operations' feasibility. Understand army insists on new airports and has advised Washington that little freight can be carried until end of monsoon in October and is making the limited freight movement only as token good faith.

We now have 2,000 tons ordnance, aircraft parts, signal equipment, medical supplies urgently requested Stilwell, 700 tons of which now in Assam. China National Airways guarantees to move 10 tons per plane per day. I doubt seriously army will move any. Because of army discouraging report, shipping space from America being taken away for our army now fighting in this field. Present rail movement across India available but duration uncertain. If Stilwell is to be aided and China supported must have improved and experienced operation that will insure freight movement Karachi to China. In the interest of getting the job done, I prefer to see Pan American and China National Airways handle the whole business.”

I concur completely in Shaughnessy's suggestion. After observing parallel operations army ferry command and Pan American across Africa I am convinced that expeditions and vital aid to China can most quickly and most certainly be accomplished by Lease-Lend contract through army to Pan American and China National Airways. Recommended White House direct army make such arrangements Pan American and China National Airways fixing few days time limit for consummation contracts to avoid army red tape and further delay. To aid Stilwell this and the delivery of planes for purpose to China National Airways and Pan American in India immediately most vital.

My No. 186, April 15, 3 p. m.⁹ stating that agreement had been reached was in error.

JOHNSON

893.24/1317½

Memorandum by the Adviser on Political Relations (Hornbeck) to the Under Secretary of State (Welles)

[WASHINGTON,] April 17, 1942.

Mr. WELLES: Reference, New Delhi's telegram 187, April 16, 3:00 p. m. Officers of the Department concerned especially with Far Eastern affairs have been observing this situation very carefully and with great concern. We have had only fragmentary information regarding the operations of the Army ferry command: what we have had, however, has been distressing, and the record of deliveries (or non-deliveries) in China is clear evidence that the efforts of that command have not been effective so far as getting the goods to China is concerned. We know much, however, regarding the efficiency and the effectiveness of Pan American and its associate, China National Airways: we can testify that for a long time and in the midst of many difficulties they have done miracles in "delivering the goods".

We believe that the President would wish, before giving serious consideration to the recommendations made in the telegram to have the statements of fact checked against the records here (in Washington). Dr. Currie is perhaps better prepared than any other one person available to make such a check. We suggest that a copy of this telegram be sent immediately to Dr. Currie or that it be suggested to the President that he ask Dr. Currie to make the desired checkup immediately.

S[TANLEY] K. H[ORNBECK]

893.24/1321½

The Commanding General of United States Army Air Forces (Arnold) to the Acting Secretary of State

WASHINGTON, April 18, 1942.

MY DEAR MR. SECRETARY: Your letter to Admiral King,¹⁰ inclosing telegram, dated April 16th, from the President's personal representa-

⁹ Not printed.

¹⁰ Adm. Ernest J. King, Chief of Naval Operations; letter not found in Department files.

tive at New Delhi was sent to me for reply as it comes under my jurisdiction.

The facts in this case are as follows:

All cargo type airplanes, either in India or in China, assigned to the China-Calcutta run come under the direct control of General Stilwell. They are subject to any orders he may give and can be used to carry any supplies desired by him.

The service between Calcutta and China is likewise subject to any interpretation that General Stilwell may give regarding facilities available or movement of this aircraft.

For the above purposes, a total of 25 airplanes were set up. The status of these airplanes is as follows:

Chinese National Airplanes:

Delivered to points east of Karachi and subject to General Stilwell's control	6
At Basra enroute to General Stilwell	1
At Acra enroute to General Stilwell	1
	<hr/>
Total	8

For the 10th Air Force:

At Karachi	3
At Natal being repaired enroute	1
	<hr/>
Total	4

Being prepared for flight to General Stilwell:

At Morrison Field	22
Probably leave tonight	8
	<hr/>
Balance at Morrison Field	14

The balance will leave at the rate of about 2 or more each night.

The airplanes allotted to this China service can be operated at General Stilwell's orders by any crews desired. Accordingly, they can be operated by China National pilots or by Pan American pilots at his discretion.

The above applies to the total of 25 airplanes already there or which will arrive soon.

The number 25 was set because that is all that General Stilwell stated he could handle at this time with the airway and airdrome facilities in that area. However, it will be noted that we are figuring on sending a total of 34, hoping that provisions for utilizing the additional 9 can be made before they arrive.

Sincerely yours,

H. H. ARNOLD,
Lieutenant General, U. S. A.

893.796/304 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, April 21, 1942—11 a. m.

[Received 11:07 a. m.]

443. Embassy's 383, April 10, noon. In an informal note received today Vice Minister for Foreign Affairs states in substance that, having referred the matter to the competent authorities, he has received their reply which is in substance as follows: Certain quarters have suggested that, with a view to facilitating improvement in the management of the CNAC, it be transferred to the National Aeronautical Commission, but no decision has been reached and the suggestion has nothing to do with military control.

It might theoretically be argued that the Aeronautical Commission is a non-military, that is, non-army, organization. Practically, it is under military control, is subordinate to the Military Affairs Commission, and to all intents and purposes is a military organization.

There are now only 6 planes under operation by the CNAC of which 4 are temporarily grounded for repairs or overhaul. The fact that CNAC with its limited equipment cannot meet the many demands upon its services is apparently being seized upon in some Chinese quarters as a pretext for asserting that difficulties (resulting solely from limited equipment) can be overcome by administrative changes. Actually the difficulties can be overcome only by the receipt of additional planes and spare motors and parts from the United States.

I shall reply to the Vice Minister reaffirming the position taken during my conversation with him on April 9 which was in accordance with Department's 259, April 4, 7 [6] p. m.

GAUSS

893.796/304 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, May 12, 1942—5 p. m.

379. Your 443, April 21, 11 a. m. For your confidential information:

The Department has been advised by General Arnold that the air service between Calcutta and China and all cargo-type airplanes assigned to that service are under direct control of General Stilwell and may be operated in any way he sees fit and by such crews as he may select. Thirty-four such aircraft have been allotted and as of April 18 six had already been delivered to points east of Karachi. Three were then at Karachi and three more in Africa or the Near East en route. All of these planes were scheduled to have left the United States during April.

HULL

INTEREST OF THE UNITED STATES IN MAINTENANCE
OF ADMINISTRATIVE INTEGRITY OF CHINESE MARI-
TIME CUSTOMS¹

693.002/1151 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 20, 1942—1 p. m.

[Received 1:05 p. m.]

855. C. B. Joly, [Acting] Inspector General of Customs, informs me that customs affairs are approaching a grave crisis because of decision of government to apply the treasury law to the customs and that apart from removing loan funds from control of Inspector General the step will undermine the inspectorate system and disrupt the service as, under the law, each customs district is treated as a financial entity which will deprive the commissioner and the inspectorate of the flexibility and adaptability essential to successful administration of a modern civil service on national line[s]. Inspectorate would have no control over expenditures in each port; expansion and retrenchment according to trade requirements would be completely localized; staff remuneration and transfers would be subject to local conditions; and the *raison d'être* of the inspectorate would disappear.

Minister of Finance² has stated he has no authority [to] postpone application of the law to the customs (although there has already been continual postponement for several years). Inspector General says it has not been possible to arrange for application of the law in a form which will not completely undermine inspectorate system. Note continuing efforts to that end but it is expected if he is not successful he will be obliged to point out that there is no room for inspectorate, that administration of service should be placed under direct control of the Ministry of Finance and he and other foreign officers should be paid off as it would be useless to attempt to operate under the law as the service would break down and the foreign officers then would be made scapegoats.

Inspector General has made no request for our intervention in the matter but says he considers that the situation should be known to us and to British Embassy. Being without reference library at Chungking, this Embassy is unable to study the matter in the light of any treaty or other stipulations but I do not believe that the existence

¹ For previous correspondence, see *Foreign Relations, Japan, 1931-1941*, vol. I, pp. 729-754, and *Foreign Relations, 1941*, vol. v, pp. 806 ff.

² H. H. Kung.

of any such stipulations would deter the Chinese Government at this time from pursuing whatever course it wishes. Advice or representation from the American or other governments would not likely be well received.

The Treasury Law contemplates modern fiscal arrangements along lines of those in well organized government administrations but in present state of China's administrative organization and development it will, if applied to the customs, disrupt that service which is the one outstandingly efficient organization of the government reasonably free from politics and a service which through control of the customs revenues offered as security for loans and indemnities has established China's international and domestic credit on a sound basis.

GAUSS

693.002/1151 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, July 23, 1942—8 p. m.

663. Your 855, July 20, 1 p. m. Your telegram under reference was received in garbled condition and is not entirely clear. As regards the reference to "the Treasury law", please inform the Department of the official title of the law in translation and the date of its promulgation, forwarding a translation if obtainable by air mail.

Meanwhile it is suggested that you talk over this matter informally with the British Ambassador³ and with Mr. Currie⁴ who, as you know, has been specially interested in various aspects of Chinese financial matters and who may assumably discuss some of those matters with Chinese officials. It occurs to us that in connection with such discussions Mr. Currie might, if such action should seem advisable, make comment to Chinese officials which would be helpful in regard to this matter.

We incline to the view expressed by you in the third paragraph of your telegram that representations, especially formal representations, might not be well received. We therefore suggest that in any approach that may be made it would be desirable not to adopt a too insistent attitude and to present our views not in legalistic terms or in terms of national or private economic interests but in terms of the fact that the Chinese Maritime Customs as it now functions is a sound institution which has demonstrated its advantages to China and to all concerned over a long period of time.

HULL

³ Sir Horace James Seymour.

⁴ Lauchlin Currie, Administrative Assistant to President Roosevelt, at this time in China on a special mission.

693.002/1152 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 29, 1942—1 p. m.

[Received 1:27 p. m.]

881. Your 663, July 23, 8 a. m. [*p. m.*]. The law mentioned in my No. 855 is entitled The Public Treasury Law promulgated June 9, 1938. Embassy will endeavor to supply transportation [*translation*] by airmail. Subject was discussed in despatch No. 2532 of September 15, 1936 [*1939*] from Consul General at Shanghai to the Department.⁵

British Ambassador has called on me with Inspector General of Customs regarding this matter. We agreed that any formal or informal representations would be without avail but that we might each take any opportunity that presents from time to time in our conversations with influential members of the Government to express our interest and concern for the continued integrity of the customs service as of outstanding importance to China. We urged Inspector General to continue his efforts to obtain reasonable modification of the application of the law to the customs and have pointed out that the situation does not appear to us to have reached the point where the foreign staff should consider it necessary to ask to be paid off.

I have also informed Currie of the matter and he has promised to take any opportunity that presents to comment on it in his conversations with the Chinese.

GAUSS

⁵ *Foreign Relations*, 1939, vol. III, p. 859.

OPENING OF NEW AMERICAN DIPLOMATIC AND
CONSULAR POSTS IN CHINA

125.0093/552 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 8, 1942—noon.

[Received July 9—7:23 a. m.]

807. With the return to the United States of Chinese language officers exchanged for Japanese diplomatic and consular officers, I recommend that the Department give consideration to the possible detail of consular officers to Kweilin, Kwangsi, and Sian, Shensi, requesting the Chinese Government to give consent to such assignments in order to provide consular officials near centers of American residence in Free China to look after the interests of our nationals, it being understood of course that these places are not open, and that the stationing of officers there is a temporary war time expedient. The Foreign Office has consented to a British Consul General being sent to the provincial capital of Kwangtung in substitution for the Consul General at Canton. We might designate our officer at Kweilin as substitution for Consul General at Canton, and at Sian as substitute for Consul General at Hankow. These offices should have small staffs only and the officers should be prepared to withdraw in advance of any Japanese offensive. I have not mentioned this proposal to the Foreign Office and await instructions before doing so.

GAUSS

125.0093/552 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, September 15, 1942—11 p. m.

837. Your 807, July 8, noon, and Department's 639, July 16, 9 p. m.¹ The Department would appreciate receiving your views, as requested in its telegram under reference, in regard to the question of the possible opening of temporary offices at Lanchow and Chengtu, as well as at Kweilin and Sian as recommended by you. Lanchow, for example, might be of special importance as an observation post. An office at Chengtu would, *inter alia*, serve the interests of a considerable number of Americans.

It is suggested that, after study of the matter, and unless you

¹ Latter not printed.

perceive objection, you approach the Foreign Office informally with a view to obtaining its consent to the opening of such of the suggested temporary offices as seem to you advisable, not of course as a matter of right, but purely as a matter of reciprocity and as in the interests of both countries. If the Chinese Government should prefer that any or all of the suggested new offices be considered and listed as merely temporary branch offices of the consular section of the Embassy or of the Consulate at Kunming, this Government would of course be disposed to meet Chinese wishes in this respect.

The Department would also appreciate your opinion as to the advisability of raising the Consulate at Kunming to a Consulate General.

HULL

125.0093/553 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, September 19, 1942—11 a. m.

[Received September 21—9:36 p. m.]

1063. Your 837, September 15, 11 p. m. I recommend that we move slowly in matter of opening new consular offices in China; two would seem to be quite adequate for time being, one at Kweilin to cover unoccupied areas in the east and southeast, and one at Sian or Lanchow to cover northwest, while Kunming would continue to serve the southwest and west. While Americans at Chengtu have wanted a consular office there for their convenience for limited passport and notarial services, I cannot see the desirability of an office there at this time. I am awaiting the return to Chungking of Secretary Service,² now in the northwest, before making a recommendation as between Sian and Lanchow. As to the proposed increase in grade of Kunming office I suggest that this be held in abeyance until plans for new consulates are settled unless, of course, Department has a suitable Consul General awaiting immediate assignment. I have no objection to proposal.

GAUSS

125.0093/554 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, October 9, 1942—10 a. m.

[Received October 10—5:08 p. m.]

1156. Reference my 1063, September 19, 11 a. m. On September 28 I discussed informally with Vice Minister of Foreign Affairs possible

² John Stewart Service, Third Secretary of Embassy in China.

stationing of consular officers at Kweilin, Chengtu, Sian and Lanchow. He promised to consult Generalissimo. Yesterday the director of American Department of Ministry stated that Generalissimo had been consulted and informed Vincent³ orally as follows:

Kweilin. Since our Consulate General at Canton has ceased to function we might find it feasible to move that office to Kweilin temporarily, in which case Chinese Government would be agreeable.

Lanchow. Four years ago Chinese Government refused to accede to Soviet proposal to establish consulate at Lanchow but did agree that Soviet Embassy might station an officer of the Embassy temporarily at Lanchow. Perhaps American Government might follow same procedure, designating officer from Embassy staff to reside temporarily at Lanchow during the war. If so, it would be agreeable to Chinese Government.

Sian. Ministry feels that if Embassy has staff officer at Lanchow there would be no need for officer at Sian.

Chengtu. Stated confidentially that Chinese Government has found it necessary to refuse request of another friendly government (British) to open consulate at Chengtu and does not deem it wise to reopen the question.

Director American Department suggested that if arrangement proposed for Kweilin and Lanchow is agreeable, the Embassy might address the Ministry embodying the suggestions in form of proposal of American Government and Ministry would reply affirmatively.

I comment that the Chinese are not prepared to do more than concede to us what they have conceded to the British and Russians. I believe however that Kweilin and Lanchow will be adequate to our needs at this time. Service is still absent on his trip, delayed on account of lack of transportation. I believe Lanchow will prove preferable to Sian as former has occasional air service.

GAUSS

125.0093/555 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, October 12, 1942—1 p. m.

[Received October 13—9:50 p. m.]

1168. Reference my 1156, October 9, 10 a.m. regarding American Consulates in China. Reviewing this matter in the light of the probable early abolition of extraterritoriality,^{3a} I am now of the opinion that if officers are available for early assignment, we should make a further approach to the Chinese Government for permit to estab-

³ John Carter Vincent, Counselor of Embassy in China.

^{3a} For correspondence on this subject, see pp. 268 ff.

lishment of Consulates at Kweilin, Chengtu, Sian and Lanchow and not be content with the arrangement reported in my 1156. With only a brief treaty regulating the subject, there will be numerous important questions arising affecting our nationals and their interests. Few provincial or local officials will be content to deal with such matters and it is not unlikely that in some instances attempts will be made to exploit the situation. Especially as all mail and telegraphic communication in Free China is now very slow and there would be long delay in our nationals communicating with the Embassy it would be well to have consular officers in the important centers prepared to consult with our nationals, to take any necessary local steps and to determine precise facts and report intelligently to the Embassy. In my opinion it would be well for the Chinese Government at the same time to have Commissioners of Foreign Affairs at the same places competent to advise the provincial and local authorities in the name of the National Government and to effect immediate correction of any improper actions.

May I take the matter up with the Foreign Office on the above lines?

GAUSS

125.0093/555 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, October 23, 1942—8 p. m.

981. Your no. 1168, October 12, 1 p.m. The Department approves your taking up this matter with the Foreign Office along the lines which you suggest.

You may mention to the Foreign Ministry that we have for some time wished to increase our representation in China, especially in view of the close relations between China and the United States; and that in a country of China's size and importance one consular office (Kunming) is not adequate to care for the varied interests of this country and of American nationals. In the light of the favorable attitude which this Government has adopted and is prepared to continue toward requests of the Chinese Government for the opening of Chinese consular offices in American territory, and of our need for the projected offices in China, it is hoped that the Chinese Government will not perceive objection to the opening of such offices not only at Kweilin and Lanchow but also at Chengtu, where there are important American interests, and at Sian.

You may also say that the projected offices may, if so desired, be regarded as temporary and provisional only; that it is contemplated

that each of the staffs will consist of not more than one commissioned officer, one Chinese clerk-interpreter and the necessary messengers or additional minor employees; and that if, as regards Lanchow, the Chinese Government should prefer that the officer temporarily stationed there be an officer of the Embassy rather than a Consul, we should be agreeable thereto.

You may in your discretion point out that the opening of the new offices would offer evidence to the public in the United States and China, and elsewhere, of the developing of increasingly close relations between our two countries and of the importance which the Government of the United States attaches to those relations.

As you suggest, the forthcoming abolition of extraterritoriality not only provides additional reasons for the opening of the projected new offices but also raises the question whether the Chinese Foreign Office might not wish to detail to or designate representatives at important centers for the purpose of facilitating matters which may be expected to arise in connection with the opening of the offices and their functioning and with readjustment of the affairs of American nationals under the new conditions which will obtain when extraterritoriality is terminated. One of the functions of the new offices would be, of course, to assist American residents and travelers in adjusting their affairs to such new conditions. As the term "Commissioners of Foreign Affairs" may possibly have displeasing connotations to the Chinese Government, it would seem preferable to avoid that or any similar term in suggesting the assignment or designation of such Chinese officials.

The Department much appreciates the recommendations and suggestions which you have made in regard to this matter.

HULL

125.0090/17

Memorandum by Mr. Everett F. Drumright of the Division of Far Eastern Affairs

[WASHINGTON,] October 26, 1942.

Subject: Should American Representation be Established in Central Asian Areas

Consideration of the above-mentioned subject poses various pertinent questions. Among these are: (1) the purpose of such representation; (2) the nature of such representation; (3) the areas within which representation might be established.

These questions are discussed below.

(1) *The purpose of such representation.* American consular or other official representatives have not hitherto been stationed in Tibet,

Sinkiang, Outer Mongolia or other central Asian areas, although they have from time to time traveled in certain of these regions. The absence of American official representation in these areas has apparently been due to a want of concrete American interests therein. There appear to be neither American residents nor American property interests in Tibet or Outer Mongolia. A very few American missionaries have resided in Sinkiang, but it is believed that the last of these withdrew from that province in 1940. The number of Americans traveling in central Asian areas has never been large, and in recent years the number has decreased. So far as is known, no American has traveled in Outer Mongolia for several years, and only two Americans are known to have traveled during recent years beyond Gyantse in Inner Tibet.

It may not be inappropriate at this point to discuss the official representation maintained by certain Powers in central Asia:

Great Britain. The British maintain a Trade Agent at Gyantse, a few stages across the Indian border on the route to Lhasa, the function of whom it appears to be to keep in contact with the Tibetan authorities. It appears that the Trade Agent has made trips to Lhasa from time to time. It is not known whether the British maintain permanent representation in Lhasa at this time, although it appears that they have not done so in the past. The British have for some years maintained a consular office in Kashgar, heart of the rich oasis country of southwestern Sinkiang, where a few hundred Indian subjects have apparently resided for purposes of trade. In all probability it has been one of the chief functions of the British consular representative at Kashgar to keep the British and Indian governments apprised of internal developments in Sinkiang, and also of Soviet Russian activities in that province. The British maintain no official representation in other parts of Sinkiang Province, nor in any part of Outer Mongolia. The British formerly maintained a consular office in Tatsienlu, but it was withdrawn in the early nineteen-twenties.

Soviet Union. The Soviet Union does not appear to be represented in Tibet, and few if any Soviet citizens seem to have traveled in that region during recent years. Soviet relations with the province of Sinkiang have been close during the past ten years or so, and it appears that Soviet consular representatives have been stationed in Tihwa, Kashgar and perhaps other cities in Sinkiang. Soviet relations with the Mongolian People's Government in Outer Mongolia are based on certain treaties concluded between the two governments during the past twenty years, which among other things provide for an exchange of official representatives.

China. China considers that Tibet and Outer Mongolia form a part of the territory of the Republic of China and has accordingly claimed

suzerainty over these areas. Great Britain and the Soviet Union have by various treaties concluded with China acknowledged Chinese suzerainty over Tibet and Mongolia, but Great Britain and the Soviet Union have apparently interpreted "suzerainty" to include a wide degree of local autonomy. It is believed, but not definitely known, that there are representatives of the Mongolian and Tibetan Affairs Commission of the Executive Yuan of the National Government of China in Lhasa. It seems probable that there are no other Chinese officials stationed in Inner Tibet unless they are to be found along the Indian frontier. The provincial administration of Sinkiang has been Chinese in composition, but since the establishment of the Republic has been largely autonomous in character. During the last decade Soviet Russian influence appears to have been dominant in the province and there seem to have been no officials of the Chinese National Government regularly stationed there, although a few prominent Chinese officials have made visits to the province from time to time. In this connection, the recent visit of General Chiang Kai-shek to Tihwa indicates that the Chinese Government is beginning to reassert its influence in Sinkiang. A recent radio announcement from Chungking reported the appointment by the Chinese Government of a Special Commissioner for Foreign Affairs in Sinkiang. As regards Chinese relations with Outer Mongolia, it appears that these have been nebulous if not non-existent since the formation of the Mongolian People's Republic in 1921.

In the absence of concrete or substantial American interests in central Asia, particularly in the way of residents and property, it appears that the establishment of American representation there would be useful chiefly for purposes of observation and the submission of reports. Present-day world developments, with particular reference to the fall of Burma, the German drive into the Caucasus, and the potential danger of the conjunction of Axis forces in central Asia, suggest for consideration the question whether or not American observers should now be sent to central Asian areas to submit reports relating not only to potential Axis activities in these areas but to the geography, communications, politics, military affairs and economics thereof. The stationing of American observers in Tibet and Sinkiang at the present time might be valuable for purposes of investigating possible transportation routes into China. As to Outer Mongolia, the dearth of material now available in regard to that area and Manchuria and the possibility of a Russo-Japanese military clash point to the desirability of having qualified observers in that area.

(2) *The nature of such representation.* Representation might be established in central Asian areas on a permanent or a temporary basis. Permanent representation, while perhaps desirable for pur-

poses of thorough observation and contact with the local authorities, would, if feasible, require the setting up of offices in remote and isolated areas. One of the most difficult problems in connection with permanent representation relates to the question of *agrément*. In the case of Tibet and Outer Mongolia, it would appear necessary to obtain the sanction of the Chinese authorities as the sovereign power, while at the same time it would seem necessary to receive the permission of the Tibetan and Mongolian authorities for the stationing of American representatives in these areas. American representatives proceeding to Tibet would probably travel through India, which would require the sanction of the British and Indian authorities. American representatives proceeding to Outer Mongolia would probably travel via Siberia, thus necessitating the approval of the Russian authorities. A formal request for the permanent stationing of American representatives in Tibet and Outer Mongolia might raise embarrassing questions in regard to the political status of these areas.

Apart from the complex problem of sovereignty, it is doubtful whether the Tibetan or Outer Mongolian authorities would welcome the establishment of permanent American representation in Lhasa or Ulan Bator (Urga). It is a probability that such a request on the part of the American Government would be rejected, particularly, in reference to Outer Mongolia. As regards Tibet, it may be pointed out that with the establishment of an American mission at New Delhi, American representatives in India are now in a much better position than formerly to observe and report Tibetan developments.

With reference to the establishment of permanent American representation in Sinkiang, it is believed that endeavors to carry this into effect at the present time would prove a source of embarrassment to the Chinese Government. While the Chinese Government appears to be regaining a certain amount of influence in Sinkiang, the Chinese-Soviet relationship in Sinkiang remains a delicate one.

It is believed that temporary assignments, which might be more accurately described as in the nature of occasional visits or trips, would appear to offer a more satisfactory means of observing and reporting on conditions in central Asian areas. It is believed that temporary visits could be made to certain of these areas without raising troublesome and complex issues of sovereignty. It seems likely that the granting of permission for temporary visits, at least to certain areas of Tibet and Sinkiang, could be arranged on short notice and on an informal basis. It seems likely, too, that temporary visits of American representatives to central Asian areas would occasion much less speculation in various official quarters as to American motives than would be raised by American endeavors to seek permanent

representation. Temporary assignments or visits would result in economies of staff and expenses. The policy of excluding third-power nationals, apparently followed in the past by the Soviet and Mongolian authorities, renders it highly unlikely that American observers will be permitted to visit Outer Mongolia in any capacity.

(3) *The areas within which representation might be established.* Areas in central Asia within which American representation might be sought comprise Tibet, Sinkiang and Outer Mongolia. Each of these areas is discussed below in the light of its availability as an area in which American representation might be established:

Tibet. Under existing conditions there appears to be little reason for the permanent stationing of American representatives in Tibet. Rather than endeavor to establish permanent American representation in Tibet at this time, it would perhaps be preferable to explore the possibility of sending American representatives from time to time on observation trips into Tibet. Representatives sent from India would probably be in the best position to obtain permission to travel in Tibet and they would be most accessible to Lhasa, capital and heart of the country. Travel from Chungking or Kunming into Tibet would involve formidable difficulties and would probably not be warranted under existing conditions.

Sinkiang. With the loss of the Burma Road, Sinkiang has assumed increasing importance as a route for the shipment of supplies to and from China. Sinkiang is also a key to the future development of Chinese-Soviet relations. For these reasons it may be desirable to consider the establishment of American representation in Sinkiang. Such representation, it is believed, might be either permanent or temporary. If it is deemed desirable to establish permanent representation, it might be located at Tihwa (Urumchi) or at Kashgar. Of these two cities it would seem that Tihwa, the capital and center of Soviet influence, would offer the best opportunities for political observation, particularly with reference to Soviet activities. Tihwa is an important junction on a highway between Alma Ata and Lanchow and is also a stopping point on the China-Russia air route. At present Kashgar would appear to possess only secondary importance from the point of view of the establishment of American representation. It is probable that it is too remote from Tihwa to be of much value in reporting developments taking place in Tihwa, and at present it is not an important center for the transshipment of supplies to and from China, although it may assume growing importance in this respect.

Endeavors to station an American representative at Tihwa in a permanent capacity at this time would, in view of the peculiar political conditions that obtain in Sinkiang, likely meet with Chinese objections

and perhaps with outright refusal. In all probability a proposal to establish permanent American representation at Kashgar would be more favorably received by the Chinese authorities, since both the British and the Russians appear to have consular representatives in that city.

Having in mind the potential importance of Sinkiang, it would appear that the periodic detail of an American representative to travel in the province would be adequate to supply the American Government with independent, factual information in regard thereto. In all probability a request made to the appropriate authorities for the travel of American representatives in Sinkiang would meet a far more favorable reception than would a request for permanent representation. The Embassy at Chungking would appear to be in the best position to detail a representative to travel in Sinkiang; or in the event that an officer is to be stationed at Lanchow, he might be available for periodic trips to Hami, Tihwa and other cities in Sinkiang.

Outer Mongolia. Although the paucity of authentic information at present available to this Government in regard to Outer Mongolia and Manchuria and the possibility of a Russo-Japanese military conflict in the Far East point to the desirability of stationing American representatives in Outer Mongolia, it is believed that endeavors to post representatives in this area, either in a permanent or a temporary capacity, are likely to fail, it apparently having been the standing policy of the Soviet and the Mongol authorities to exclude third-power nationals, including officials, from Outer Mongolia. In view of this attitude on the part of the Russian and Mongolian authorities, it is highly questionable whether it would be advisable that an endeavor should be made to send an American representative to Outer Mongolia. Should it prove feasible on investigation to send an American representative to Outer Mongolia, it is believed that he could best be detailed to proceed from Moscow or Vladivostok, and that he should endeavor to proceed to Ulan Bator, the seat of governing authority. Here again a request for travel in Outer Mongolia would in all probability be more favorably received than would a request for permanent representation.

Since travel through Russia would seem to be necessary to reach Ulan Bator, presumably Russian permission would be needed before an American representative could proceed to Outer Mongolia.

Recommendations. It is accordingly recommended:

(1) That consideration be given to the temporary detail of an American representative or representatives to be sent from New Delhi to proceed to Lhasa for purposes of observation and the submission of pertinent reports.

(2) That consideration be given to the temporary detail of an American representative or representatives to be sent from Chungking to proceed to Hami, Tihwa (Urumchi), Kashgar and perhaps other cities in Sinkiang for purposes of observation and the submission of pertinent reports.

(3) That consideration of the detail of an American representative or representatives to proceed to Outer Mongolia be deferred for the time being unless it appears on discreet investigation that the Soviet Russian and Mongolian authorities would be disposed to look with favor on a proposal for the travel or residence of American representatives in Outer Mongolia.

(4) That as a preliminary step the missions at New Delhi and Chungking be instructed to investigate the feasibility of sending an American representative or representatives to Tibet and Sinkiang, respectively, and to submit recommendations in regard thereto.

(5) That as a preliminary step the American Embassy to Russia be instructed to investigate the feasibility of sending an American representative or representatives to Outer Mongolia and to submit recommendations in regard thereto.

125.0093/557 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, October 31, 1942—1 p. m.
[Received November 1—5:22 a. m.]

1252. Reference my 1168, October 12, 1 p. m. and Department's 981, October 23, 8 p. m. regarding additional consular offices in China. I called on Political Vice Minister for Foreign Affairs yesterday morning and requested further consideration of the matter along lines of telegrams under reference. During a courtesy call on Foreign Minister Soong, I mentioned that I was proceeding thence to see Vice Minister on a pending matter. He expressed interest and asked me to outline the matter which I did.

Yesterday afternoon Vice Minister telephoned to me that Minister Soong agrees to our sending Embassy officers to Chengtu, Sian and Lanchow and asked that Counselor of Embassy attend at the Foreign Office to receive an oral statement on subject from Dr. Chang, Director of American Department who informed Vincent as follows.

After reviewing position with regard to Lanchow and Kweilin, Chang stated that he was instructed by Foreign Minister to say that it would be agreeable to Chinese Government if American Government stationed at Sian and Chengtu "officers pertaining to personnel

of Embassy to take care of American nationals in those localities during present war."

He then said that "Inasmuch as the Northwest is becoming increasingly important on account of the prospective development of communication, perhaps the American Government may find it practicable to have a consular officer stationed at Tihua for the duration of the war. If so, it would be agreeable to the Chinese Government."

In our conversations with the Foreign Office on the subject of consular offices, we have never mentioned Tihua but the Department may wish to accept the offer of the Chinese Government which is no doubt prompted by recent developments in Sinkiang. The Russians have a consular office in Tihua and the Chinese probably feel that the presence of an American Consular Officer there would be good political strategy. Our immediate interest there now would be in observing development of transport by the northwest route.

With regard to representation at Lanchow, Sian and Chengtu, I feel that it would be advisable to accept the proposal as a temporary arrangement with the idea of deferring definitive plans for representation in those cities until the conclusion of the new treaty and until time has given an indication of just what type of representation will prove most effective.

The members of the Embassy staff detailed to serve in those centers might also be appointed as Consuls at Kunming which would enable them perform certain essential consular functions. The "consular officer" at Tihua if appointed might also serve in a dual capacity inasmuch as the Chinese Government appears to desire that we have simply a representative there rather than a Consulate.

With regard to Kweilin, the Embassy suggests that the consular office there be placed under the supervision of Kunming and that Kunming office might be raised to a Consulate General in charge of an officer of suitable rank and experience.

The Chinese Government now maintains "delegates for foreign affairs" at Kunming, Kweilin and Lanchow. I mentioned yesterday to Foreign Minister and Vice Minister matter of possible extension of this system. Vice Minister in afternoon told Vincent that he had discussed matter with Dr. Soong; that latter does not now wish to place "delegates" in other cities; but that Foreign Office will consider setting up in municipal governments at Chengtu, et cetera, offices in charge of Chinese familiar with Chinese law and competent to afford assistance to foreigners.

125.0093/557: Telegram

The Secretary of State to the Ambassador in China (Gauss)

[Extract]

WASHINGTON, November 6, 1942—10 p. m.

1042. The Department much appreciates your action in regard to the projected new posts in China and also your recommendations and suggestions.

1. As soon as officers for the new assignments are available you are authorized to detail them as officers of the Embassy to temporary duty at Chengtu,⁴ Lanchow, Tihua⁵ and Sian.⁶ Regular offices will not be established. In every case you should of course telegraph Department name of officer, post of detail and pertinent dates. Department will then also commission them as consular officers at Kunming in order that they may perform some consular functions for American citizens. They will be listed as officers of the Embassy on temporary detail at the places named. Their salaries and those of subordinate employees and other official expenses will be included in the Embassy's accounts. For purposes of correspondence, they will be addressed as "Secretary of Embassy on detail at blank". All telegrams to and from the Department will be through the Embassy.

HULL

123 Richards, J. Bartlett/36: Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, December 3, 1942—1 p. m.

1178. Your 1403, November 30, 10 a. m.⁷ In view of the long-standing need of the Department and of other agencies of the Government for an expansion of the economic and commercial informational service from Chungking and in the light of the present increasing demand on the Department by other agencies of the Government for specialized information within the economic warfare as well as the general economic field, the Department believes that it is necessary that the Embassy be augmented by an adequately staffed Commercial Attaché's office if the Foreign Service in China is to fulfill one of its important functions. The Department realizes, of course, that quarters are cramped and facilities in general are meager at Chung-

⁴ Everett F. Drumright, Second Secretary of Embassy, detailed at Chengtu, February 12, 1943.

⁵ Oliver E. Clubb, Second Secretary of Embassy, detailed at Lanchow, February 9, 1943; detailed to Tihua, April 19, 1943.

⁶ Mr. Drumright was detailed at Sian, June 1, 1943.

⁷ Not printed.

king. We believe, however, that the interests of the Government will be better served by a Commercial Attaché's office than by an expansion of field personnel representing other Government agencies and operating without the coordinating and other benefits of a single unit within the Embassy. The situation to be met is such, in the Department's opinion, that the Commercial Attaché should proceed to establish his office as soon as practicable. If necessary he might utilize office and residential quarters on the city side of the river.

While it would, of course, be preferable that the Commercial Attaché have a working knowledge of the Chinese language, there are not any China language officers available for this duty. It is believed that Mr. Richards⁸ will not greatly feel the lack of a knowledge of the Chinese language in his contacts with important officials at Chungking, many of whom are understood to speak English; that he will be able to get along with an interpreter in such travel as he may undertake; and that his economic reporting experience, together with a fresh point of view, makes him a suitable choice for the assignment.

We should appreciate your recommendations as to personnel and office equipment for the office of the Commercial Attaché. It is our thought that in addition to an Assistant Commercial Attaché (who is expected to be designated shortly) the office will probably require an American clerk-stenographer, a Chinese interpreter-translator, two or three typists and perhaps messengers. It is expected that it will be practicable to arrange for the personnel proceeding from Washington to take with them portable typewriters.

HULL

⁸ J. Bartlett Richards.

CULTURAL RELATIONS PROGRAM OF THE DEPARTMENT
OF STATE TO PROVIDE TECHNICAL ASSISTANCE TO
CHINA AND TO FACILITATE GREATER CULTURAL
COOPERATION BETWEEN THE UNITED STATES AND
CHINA

811.42793/527a : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, January 29, 1942—9 p. m.

55. During the past year the Department has given increasing attention to the desirability of supplementing the aid which this Government has been extending to China, along the lines of what may be conveniently termed cultural assistance, designed, during the emergency, primarily to bolster Chinese morale and secondarily to assist China in many different ways in which American scientific technical, social, educational, industrial and other experience may be of use to China in raising its standard of living, improving the condition of its rural population, assisting in the development of educational, social and administrative programs and thus contributing to China's war effort. A modest initial allocation of \$150,000 from emergency funds has just been made for this purpose available until the end of the present fiscal year. Since these funds have been provided on an elastic basis the emphasis can be changed as circumstances may require. In view of the new developments during December, the Department intends to emphasize especially those aspects of its program which will be of the most immediate benefit to China, in strengthening civilian morale and in pursuit of the aims outlined above. The following items have received the Department's approval.

Item 1. Exchange of technical and cultural leaders, \$80,000. It is intended to send to China as soon as possible a number of American scholars and others who will also be primarily specialists in various fields of study and activity of essential importance to China, in order to: familiarize themselves with problems in China relating to their field of study; discuss these problems with officials and scholars there; give advice, if desired, regarding short and long term assistance in these fields; submit an exhaustive report of their findings upon their return, together with recommendations; and be available to the Department for consultation for a reasonable period

thereafter. Among the specialties which persons selected for these missions should possess would be: (1) Medical science, including hospital administration, drugs, emergency assistance to the wounded, control of epidemics, etcetera. (2) Public Health. To give advice and assistance as requested regarding general problems of health in China, both urban and rural, especially in matters of preventive medicine, epidemic control, maternity and child welfare, nutrition and social hygiene. (3) Vocational instruction. The persons selected should be competent to give advice regarding this important phase of education; confer on this subject with interested officials and other Chinese; determine how the visual and other aids for vocational instruction prepared by this Government, as well as the experience of our public schools might best be adapted to the needs of the Chinese. (4) Agriculture. Persons sent should visit agricultural schools in free China, discuss with faculty members and Government officials the best means for the United States to assist China to raise the standard of its rural population, both in agriculture and in the field of health, as well as to ascertain how the extensive material in motion picture and pamphlet form prepared by this Government could best be utilized for the assistance of the Chinese farmer. (5) A librarian should be sent to confer with directors of university and other libraries in China to give such advice as may be desired and to ascertain what books, and in what order of priority, are most urgently needed, as well as to report to the Department regarding the relative merits of several different methods of making such books available to the Chinese, including microfilm, offset printing, etcetera. (6) Physics. To advise in connection with the general university discipline, as well as regarding the war time needs of China, and to survey the urgent requirements of the Chinese refugee universities for scientific apparatus. (7) Chemistry. In general the same as Physics. (8) Engineering. To include hydraulic, industrial and communications engineers as well as an engineer competent to give advice concerning administrative and curricular problems of undergraduate engineering instruction. The engineers should be prepared to advise government and university officials as requested and to ascertain the engineering needs of China as well as to determine how best those needs might be served by the United States. (9) A mining engineer should likewise survey the mining field, act as consultant if desired by the Chinese Government, confer with university engineering faculties and report China's most urgent mining needs. (10) Paper industry. In view of the acute shortage of paper in free China, a specialist in the paper industry might be of assistance to the Chinese Government in giving advice as to the best way of expanding China's

production of paper. (11) Regional Planning. To explore with Chinese officials and others the feasibility of setting up a plan for the eventual development of certain areas in China on an integrated regional basis, similar in general to that employed by the Tennessee Valley Authority. (12) In addition, persons competent to make to the Chinese Government suggestions in the fields of public administration, fiscal policy, social security and rural credit might also be sent if requested. The sending of not to exceed ten persons in such fields as those indicated above is contemplated during the present fiscal year. Should transportation facilities improve, it is also desired to invite a few outstanding Chinese to lecture widely in this country for the purpose of acquainting Americans with Chinese customs, institutions and objectives.

Item 2. Aid to certain Chinese students pursuing technical, administrative and educational studies in the United States, \$20,000.

Item 3. The development of a series of radio programs in Mandarin and the principal dialects designed to acquaint the Chinese with the broad aspects of our culture, institutions, and defense effort, \$5,000. These programs would be of an educational nature and, being worked out in close cooperation with the Coordinator of Information, would of course in no wise compete with the latter's essentially news function. Two methods of utilization of these programs are envisaged: (1) Direct short-wave broadcasting to Chungking for possible retransmission by medium and long wave to provincial towns and cities, and (2) the use of transcriptions of such broadcasts to be shipped to China for local rebroadcast by medium and long wave.

Item 4. Motion pictures, \$15,000. The sending to China of two light trucks together with projection equipment for each, in order to display in provincial and rural areas in China a series of motion pictures designed: (1) to acquaint Chinese of all classes with various aspects of American life, institutions and war effort and (2) to display, wherever they can be useful, many government films dealing with modern agricultural methods, animal husbandry, hygiene, sanitation, child welfare, maternity, soil and flood control, forestation, et cetera.

Item 5. The donation to refugee universities of urgently needed textbooks, microscopes and other scientific equipment, \$20,000.

The Department has been giving careful consideration for some time to the various items of this program, and now that funds for its initiation have become available, desires to have your frank and considered views regarding its probable effectiveness, your recommendations regarding the individual items thereof, as well as your opinion as to where major emphasis should be placed. Your suggestions as well as those of others whom you may desire to consult in this connec-

tion, regarding persons whom you would especially recommend to be sent to China in the capacities suggested in item 1 above, would be welcomed.

In your discretion and unless you have specific criticism or suggestions to offer regarding any of the items above set forth, you may discuss this program with officials of the Chinese Government and, after pointing out that this Government views cultural relations as essentially a two-way process and would welcome reciprocal cultural activities in this country by the Chinese Government, inquire: (1) whether it would desire to see such a program inaugurated, and (2) would be prepared to give full facilities to persons sent to China for its execution. It would be particularly helpful to learn which type of the specialists whom it is intended to send to China would in your opinion and in that of the Chinese Government be the ones most urgently needed.

HULL

811.42793/535 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, February 12, 1942—11 p. m.

[Received February 12—1:50 p. m.]

113. Reference Department's No. 55, January 29, 9 p. m. The Embassy has given careful study to the program outlined in the Department's telegram and deems desirable before discussing it with the Chinese Government to submit the following comments for the Department's consideration:

Having in mind Chinese sensibilities, it is desirable to avoid any suggestion now of "cultural" missions to China. The proposed program would do little toward bolstering morale and the least said publicly in that direction at the present time the better. Our program should be fashioned as an effort to contribute toward maintaining China's educational front during the war period, and should be calculated to ensure as beneficial results as possible under existing difficult conditions. Any extensive surveys should be left to the post-war period or at least until the approach of peace.

With regard to item 1 of the program, it is the Embassy's view, supported by informed American and Chinese opinion, that there is no substantial benefit to be derived from the proposed technical or expert surveys and reports to be made by American specialists. Such surveys could readily be made by fully qualified Chinese specialists and experts, and also, in many lines, by American specialists connected with American mission universities which have for years been doing

work along the lines envisaged in the program. The needs in China at present are sufficiently well known; the primary concern is how to meet those needs so far as possible in the face of the limitations on financial support, of inflation, and of the quite apparent impossibility because of transportation difficulties of receiving material assistance from abroad.

It should be borne in mind that the Burma Road is seriously threatened and in any case must be reserved almost entirely for military purposes. Communication with and within China is now largely restricted to air transport; these facilities are extremely limited and expensive; and there is no present prospect of any early improvement in the transport situation.

Most programs and projects in all lines necessitating the importation of equipment or extensive financing are being postponed but it is probable that in such fields as medical science, public health and agriculture China may have immediate need for experts or specialists not for short time surveys but for constructive collaboration over longer periods. I recommend that in lieu of the program proposed under item 1 we invite the Chinese Government to inform us of any immediate need for specialists or experts in particular lines and that we then undertake if possible to supply and finance them.

As transportation facilities improve we might offer to send qualified leaders in our educational field to lecture at the various universities, particularly on subjects where China [during?] the isolation of the war period may not have been able to keep abreast of outside programs and developments. At the same time it would be desirable to make available to Chinese professors fellowships in the United States for refresher courses and pharmacy study and research.

Item 2 of the Department program is undoubtedly desirable. As to items 3 and 4 it is suggested (a) that broadcasts could be most effectively handled in Chungking from materials supplied from the United States in collaboration with the Coordinator of Information and his staff attached to this Embassy and (b) that inasmuch as it is impracticable to send and operate sound trucks at this time it would be desirable to send 16 mm. movie projectors equipped for silent films of the kind described for loan to Chinese institutions and existing "screen centers." A more detailed report in regard to such activities will be submitted later.

Regarding item 5 the contemplated donations would fill an urgent need but the problem of transportation is here again involved. Microfilms of current scientific and engine publications for use in the universities to enable faculty members to keep abreast of progress and developments abroad would be most helpful.

My observations since my arrival here lead me to submit for consideration a belated [suggestion?] which has met cordial approval amongst informed Americans and Chinese confidentially consulted; a suggestion calculated to bolster morale amongst a class of Chinese whose influence in the present and for the future is important both to China and the United States; a proposal which would contribute substantially toward maintaining China's educational front during the war. I suggest grants in aid to the faculties of the universities and perhaps traveling colleges in free China—government and private, including American missionary—such grants to be controlled by faculty committees for the purpose of alleviating individual cases of distress and hardship amongst Chinese members of the teaching profession and their families, and, if funds permit, in special cases, amongst particularly promising students.

China in a wise effort to maintain her educational front has removed universities with their faculties and student bodies into Free China and the Government educational budget has been increased to [apparent omission] times that of prewar years but in the face of inflation with living costs and commodity prices 15 to 18 times prewar levels the educational financial position is straitened. The teaching profession is admittedly the most seriously affected of all classes in China with the result that many members, including highly educated specialists and experts unable longer to support themselves and their families, are abandoning the profession and obtaining other employment. This situation is reportedly serious. It is important to China to retain these men in their profession. Grants in aid which would permit faculty committees to provide medical and other aid during illness or [aid?] providing for tuition of children, et cetera, would be a real assistance to this important and influential Chinese class. If this suggestion is favorably received by the Department, I shall be glad to study and develop the proposal further. I believe that two or three hundred dollars United States currency would be well spent in such grants in aid to university faculties and promising students. It has also been suggested that grants in aid might be made to a limited number of outstanding scholars to permit them to pursue research work now abandoned either because of lack of equipment or because of the necessity of seeking outside employment to eke out university [salaries?].

The Embassy is continuing to study and will report further in regard to specific phases of the Department program and meanwhile would appreciate being informed of the Department's reaction to the crews [views?] set out herein.

GAUSS

811.42793/535 : Telegram

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

WASHINGTON, February 24, 1942—9 p. m.

130. Your telegram No. 113, February 12, 11 p. m. The Department appreciates having your detailed and constructive comment regarding its program of assistance to China. It fully shares your view that under present circumstances the purpose of strengthening China's morale, which need not be mentioned in your conversations, is best achieved by the indirect method of assisting China in the most practical fashion during the present emergency.

With regard to item 1 of the program you are authorized to invite the Chinese Government to inform you at once of any immediate needs which it has for specialists or experts in particular fields. To the extent that the Department is able to finance and send such specialists to China, it would naturally utilize the experience of persons, both Chinese and American, who have long been doing work in China in the various segments of their field of specialization. Under present conditions, the Department feels that in order to be of maximum utility to the Chinese Government, as well as in the interest of transportation economy, the persons sent should remain for at least one year.

The Department has already exchanged views on the needs of China in medical science and public health, in so far as these are ascertainable here, with medical groups in this country active in China. It is likewise discussing the question of agricultural assistance with the Department of Agriculture, and would welcome any further views which you may have regarding the urgent needs of China in the above fields.

You are also authorized to discuss with the Chinese Government the general scope of activities contemplated in the Department's initial telegram to you on this subject, bearing in mind the foregoing observations.

The Department desires you to report as soon as feasible your fuller recommendations on the radio and motion picture items of the program. Any information as to radio and motion picture facilities available in Chunking, and elsewhere in China where they might be useful, would be especially helpful. How effective a radio audience do you believe it would be feasible to reach by radio broadcasts of the nature contemplated? The Department proposes to send 16 millimeter motion picture projectors to the Embassy as soon as practicable. It hopes however to send sound equipment, which is also utilizable for silent films, since such equipment will be later useful for the

showing of sound pictures. Generators will likewise be shipped if possible.

The Department would be glad also to have your suggestions on the following:

Are adequate books in Chinese on American history, democratic thought and biography available in Chungking and the outlying university centers? What would be your estimate of the effectiveness in this general direction of a Chinese edition of the *Reader's Digest*, should means be found to have one issued?

With regard to your comments on item 5 of the program, the Department understands that the Office of the Coordinator of Information is at present conferring with the Library of Congress concerning the possibility of supplying microfilms of current learned journals, especially scientific ones.

Careful study will be given to your recommendation regarding grants in aid to faculties and universities in Free China. Without raising any expectations in this respect that funds will be available for this purpose, can you estimate approximately the number of persons who should be thus aided, as well as the amount of money which would effectively care for this need?

WELLES

811.42793/565 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, March 15, 1942—noon.

[Received March 15—10:10 a. m.]

226. Reply to Department's 130, February 24, 9 a. m. [*p. m.*] is being delayed pending receipt of advice from the Chinese Government regarding needs for specialists. In its discussion with officials Embassy finds that health, agricultural and engineering experts are in most demand but it must await meeting of the Executive Yuan next Tuesday for official notification of specific needs.

Data, difficult to obtain, is being assembled with regard to the radio and motion picture items of the program.

With regard to textbooks in Chinese and a Chinese edition of the *Reader's Digest* there is great eagerness here to receive textbooks and periodicals of any kind but the consensus of opinion is that the translations should be made in China for the best results.

I am making a survey of the field with regard to the matter of grants in aid.

GAUSS

811.42793/695

Memorandum of Conversation, by Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] March 26, 1942.

Participants: Mr. Dean Acheson¹ Mr. Finletter⁵
 Mr. Lauchlin Currie² Mr. Ballantine⁶
 Mr. A. Manuel Fox³ Mr. Grummon⁷
 Mr. Hamilton⁴ Mr. Alger Hiss

Mr. Acheson stated that Mr. Welles⁸ had asked that the question of the possibility of sending an Economic Mission to China, a subject which has been under consideration at various times in the past, should be reconsidered at this time.

In the ensuing discussion on this subject there was general agreement that there is no reason for this Government to consider at this time sending a formal Economic Mission to China.

Mr. Finletter said that from point of view of obtaining strategic materials from China there was no need in his judgment, as the situation now stands, to send any expert to China. It was agreed, however, that it would be useful for the RFC⁹ to send a representative to India who would devote special attention to problems relating to transportation.

Mr. Fox expressed the view that we should be very careful of Chinese susceptibilities and that it was definitely desirable that this Government act only in case the Chinese Government should take some initiative or otherwise show that it desired to receive experts. Mr. Currie expressed concurrence in the viewpoint advanced by Mr. Fox.

Mr. Hamilton said that it was the view of the Far Eastern Division that were we at this time to propose to the Chinese Government that we send an Economic Mission, the Chinese might regard it as an attempt on our part to supervise expenditure of the proceeds of the recent \$500,000,000 loan.¹⁰ Both Mr. Fox and Mr. Currie agreed with this view and felt in general that China's need at the present time is for individual technical specialists rather than for any general Economic Mission. Mr. Fox in particular said that he felt that for-

¹ Assistant Secretary of State.² Administrative Assistant to President Roosevelt.³ American Member of the Chinese Stabilization Board.⁴ Maxwell M. Hamilton, Chief of the Division of Far Eastern Affairs.⁵ Thomas K. Finletter, Acting Chief of the Division of Defense Materials.⁶ Joseph W. Ballantine, Division of Far Eastern Affairs.⁷ Stuart E. Grummon, Division of Cultural Relations.⁸ Sumner Welles, Under Secretary of State.⁹ Reconstruction Finance Corporation.¹⁰ For correspondence on this subject, see pp. 419 ff.

eign advisory missions are rather in disrepute in China at the present time.

There was general agreement that the Department should continue with the approaches which it has already made through Ambassador Gauss to obtain from the Chinese Government indication of particular specialists which China needs at present. In this connection reference was made to the Department's telegram on this subject of February 24 to Chungking, No. 130, and of Mr. Gauss' reply of March 15, No. 226. In this latter telegram Mr. Gauss said that from preliminary discussions which he had had with Chinese officials he gathered that health, agriculture and engineering are the three principal fields in which China would welcome the assistance of individual specialists sent out by the United States, but that he hoped shortly after the next meeting of the Executive Yuan (which was scheduled for March 17 or perhaps March 24) to receive detailed information as to the wishes of the Chinese Government in this matter.

It was generally agreed that we should await a further communication on this subject from Mr. Gauss. Mr. Grummon explained that the Division of Cultural Relations has already established good contacts with the various medical groups in this country who are interested in assisting China. He said that Mr. Roger Greene¹¹ is undertaking a survey of the activities in China of these groups and is attempting to ascertain what fields of medicine are at present inadequately covered by these activities. Mr. Grummon also referred to conferences which the Division of Cultural Relations has had with the Department of Agriculture and reported that the Department of Agriculture is prepared to supply several experts if the Chinese Government desires their services. In this connection Mr. Hamilton remarked that as a result of a request from the Chinese Government the Department of Agriculture has already agreed to make available to China the services of Dr. Lowdermilk as soon as Dr. Lowdermilk has recovered from a current illness. Dr. Lowdermilk is a specialist in the field of soil conservation.

893.6208/10½ : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, March 27, 1942—9 a. m.

[Received 10:02 a. m.]

280. Department's 130, February 24, 9 p. m. Specialist for China. The Embassy has received note from the Foreign Office enclosing a list of experts desired which reads as follows:

¹¹ Consultant, Division of Cultural Relations.

"1. For service with the Ministry of Agriculture and Forestry: one corn and potato breeder (to breed good corn and potato varieties for increasing yield and improving qualities, and to select varieties resistant to diseases and insects). One insecticide and fungicide expert (to give directions and suggestions on manufacturing fungicide and insecticide on large scale, and to study possibilities of using native materials for manufacturing insecticide and fungicide). One veterinary expert (to improve and research in the manufacturing methods of veterinary serum and vaccine, to train personnel in veterinary serum and vaccine manufacturing, and to improve and apply the methods in epizootic prevention).

2. For service with the National Health Administration: Two experts in pharmaceutical chemistry (to manufacture inorganic salts and special drugs sulfanilamide, sulfathiazole, sulfaguanidine, neorphenamine and vitamins).

3. For service with the Ministry of Education: One chemical engineer (inspiring teacher); one mechanical engineer (inspiring teacher).

4. Ministry of Economic Affairs: one chemical engineer (to manufacture nitric compounds). One mechanical engineer (to do planning of mechanical industries).

5. For service with the Ministry of Communications: One mechanical engineer to give advice on long distance telephone and radio equipment."

The list represents the deliberated choice of the Chinese Government after the Department's program had been carefully explained by the Embassy to various Ministries and interested Chinese officials.

The matter will be explained more fully by mail despatch.¹²

Reply to other portions of the Department's reference telegram will be made as the Embassy is able to obtain from the Chinese the information desired.

GAUSS

811.42793/571 : Telegram

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

WASHINGTON, April 2, 1942—5 p. m.

246. Reference your telegram No. 280, March 27, 9 a. m. Department is proceeding with arrangements for selecting the ten specialists desired by the Chinese Government to the end that they may leave for China as soon as feasible. The amount available in the current fiscal year for the purpose of affording technical assistance to China (including salaries, transportation to China and return, and per diem en route) was originally considered sufficient for 20 persons, but increased transportation costs have necessitated reduction to 10. In

¹² Despatch No. 344, March 31, not printed.

this connection Department would appreciate having your opinion as to whether it would be advisable for us to approach the Chinese Government with the suggestion that necessary quarters and transportation in China be furnished gratis by the Chinese Government to these specialists and to any others who may be sent to China under similar circumstances.

A preliminary estimate of about 30 specialists to be sent to China during the 1943 fiscal year was submitted by the Department last November to the Bureau of the Budget. In connection with forthcoming budget hearings the Department would be glad to receive from you as early as possible your own estimate (necessarily tentative) of the number and types of specialists who, under foreseeable circumstances, could be of greatest utility to China during the 1943 fiscal year.

The Department would appreciate more precise information regarding the type of mechanical engineer referred to in numbered paragraph 4 of your reference telegram.

Department understands that Major Pyle, army veterinarian, and one assistant have been sent to China by the Army under lend-lease and are due to arrive shortly in Chungking. As it is understood that these men have been sent to perform special duties in China, the Department assumes that they are to be considered as in addition to the 10 specialists now desired by the Chinese Government.

WELLES

811.42793/583a : Telegram

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

WASHINGTON, April 9, 1942—4 p. m.

267. The Department has given some thought to the desirability of extending financial assistance to the Chinese American Institute of Cultural Relations at Chungking and to other pro-American groups in China such as returned students' organizations. Our government has already extended assistance of this nature to many such groups in Latin America, the highest single grant so far to any one institution amounting to \$20,000.

In view of the similarity of the announced objectives of the Chinese American Institute to those approved by the Department in connection with its program of cultural relations with China the question arises whether financial assistance extended to the Institute and/or other similar groups in China would contribute to making them more active agencies in promoting Sino-American friendship and interest in American thought and activities among the important university-

trained groups in Chungking. The Department would be glad to have your considered views on this subject as well as recommendations as to the amount which could usefully be given.

The Institute referred to is understood to be occupying at present three rooms in Chungking which have been lent to it by the New Life Movement. It is further understood to have made the start of assembling a small library and to be in a position to show motion pictures sent by this country. Should you feel that financial assistance to this group would be helpful it is suggested that in making your recommendations to the Department regarding this matter you consider whether, if funds are granted, it would be feasible and desirable to suggest that they be expended for more appropriate quarters, for the acquisition of furniture and for support to branch organizations in important cities in China.

The Department plans to send shortly to the Embassy for transmission, at your discretion, to the Institute, subscriptions to certain American periodicals and a number of books in English dealing with United States history, thought, and biography.

WELLES

811.42793/585 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, April 14, 1942—10 a. m.

[Received April 15—8:46 a. m.]

403. Your 267, April 9, 4 p.m. The Chinese American Institute of Cultural Relations was formed several years ago when other similar Sino-foreign societies were being organized. It has existed under the presidency and domination [of?] Dr. H. H. Kung, Minister of Finance, its activities being limited principally to social functions on anniversaries and special occasions which have been indicated as representing the personal hospitality of Kung. There is reason to believe that all these similar Sino-foreign [groups?] receive some limited support from the government or the party. They must all be registered with the Ministry of Social Welfare which in the case of this institute and perhaps some of the others, sought to stipulate that the constitution should carry a political requirement that no one shall be a member who opposes the principles of the San Min Chu I¹³ or the policy of national resistance reconstruction. This fact is not generally known.

¹³ The "Three Principles of the People" of Sun Yat-sen.

Efforts have recently been begun to reorganize the institute; a new constitution is being drafted which will quietly omit the political requirement above mentioned; and plans have been made to expand the activities of the institute, to provide reading rooms and library, sponsor lectures, solicit scholarships for Chinese in the United States, et cetera. The reorganization would not eliminate Dr. Kung in any way as the dominant influence but would seek to make the institute less a personal affair and more generally effective. The institute at present has not [*no*] reading rooms or library. If the plans are successfully carried out, I believe the organization may properly be the object of recognition in our cultural relations program, probably by way of a contribution toward rental of reading rooms, purchase of furniture and furnishings, and books and periodicals from the United States when it becomes practicable actually to get them in to aid Chungking. In this connection it should be remembered that rentals and costs of furniture, et cetera, at Chungking are extortionately high and also that everything provided may at any time be destroyed during bombing raids.

It might be helpful in encouraging the recognition of the institute on a more satisfactory basis if we were to know that a sum, say 5000 United States dollars, might be available as a contribution toward renting and furnishing suitable reading rooms.

I am not prepared at this time to recommend that any support be given to proposals to entrust the institute with the awarding of scholarships or fellowships in the United States.

GAUSS

811.42793/586 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, April 15, 1942—1 p. m.

[Received 3:04 p. m.]

417. Department's 246, April 2, 5 p.m.

1. The Embassy feels that the Chinese Government should furnish quarters and transportation in China to the experts. The matter has been brought informally to the attention of the Vice Minister for Foreign Affairs who indicated concurrence and undertook to give the Embassy a definite reply later. It was not considered advisable to make a point of whether such accommodations should be furnished gratis, but it is my opinion that such will be the case.

2. The Vice Minister has orally inquired when the various experts requested may be expected to arrive in China.

3. It should be pointed out that living costs, food and clothing in particular, are extremely high here and are rising; that the experts

should receive a substantial per diem; and that they should arrange such allotments of salary as may be desired before leaving America.

4. The Embassy does not consider that more than 20 experts in addition to the 10 already requested could be effectively employed in China in present circumstances. There is no doubt that a great many medical doctors, educators, and technical experts are needed in China, but the Embassy believes that the scale and objective of the Department's program do not envisage so general an approach to the problem. The Chinese Government is now giving consideration to the matter on the basis of a possible 20 additional experts. While the Embassy has endeavored and will continue to endeavor to influence the choice of experts at lines which it considers in keeping with Department's program, it is convinced that any experts sent out should be sent in response to requests from the Chinese Government. A tentative suggestion in regard to the general character of additional experts would include 2 or more public health experts; several medical doctors; 1 or more nutrition specialists; a number of agricultural experts familiar with experimental farming practice, farming marketing cooperative organizations, et cetera; a number of economics teachers with modern outlook; and such technicians, engineers, et cetera, as the Chinese Government might reasonably require.

5. The Minister of Economics explains that the mechanical engineer mentioned in paragraph 4 of Embassy's 280, March 27, 9 a. m. should be a machine shop specialist—if possible a man competent to advise on the production and utilization (adaptation of machinery).

6. Major Pyle has arrived in Chungking and has reported to the military mission.

GAUSS

811.42793/770

The Ambassador in China (Gauss) to the Secretary of State

No. 490

CHUNGKING, June 29, 1942.

[Received July 27.]

SIR: I have the honor to refer to the Department's telegram No. 246 of April 2, 1942, 5 p. m. and the Embassy's telegram No. 767 of June 29, 9 a. m.¹⁴ concerning the American technical experts desired by the Chinese Government under the Department's cultural relations program for China, and to enclose a copy and translation of a note from the Ministry of Foreign Affairs and of its enclosure, a list of fifteen additional experts submitted by the various departments of the Chinese Government, and a copy of a portion of a memo-

¹⁴ Latter not printed.

randum¹⁵ prepared by the Ministry of Communications describing the desired qualifications of the radio expert named by that Ministry in the above-mentioned list.

It may be noted that the Chinese Government expresses the hope that the experts to be sent are men of wide experience and of an appropriately high rank in their respective fields and that the Chinese Government proposes to fix their term of appointment at three or four years. The Embassy had previously informed the Ministry of Foreign Affairs that under the present conditions, in order to be of maximum utility to the Chinese Government, as well as in the interest of transportation economy, the persons sent should remain for at least one year (see second paragraph of Department's telegram No. 130 of February 24, 1942, 9 p. m.).

Respectfully yours,

C. E. GAUSS

[Enclosure—Translation]

The President of the Chinese Executive Yuan and Acting Minister for Foreign Affairs (Chiang Kai-shek) to the American Ambassador (Gauss)

[CHUNGKING, June 20, 1942.]

EXCELLENCY: I have the honor to refer to my formal note of March 25, 1942,¹⁶ regarding the decision of the United States to send some experts to China for service with which I enclosed a list of ten experts whose services are needed by the Chinese Government with the request that Your Excellency forward the same to the Department of State. On April 9, 1942, Your Excellency verbally informed Vice Minister Fu¹⁷ of this Ministry that during the next fiscal year (beginning July 1, 1942), the American Government had decided to send in addition not more than twenty experts to China for service, making a total of thirty including the ten previously decided upon.

In compliance with Your Excellency's request, I have the honor to enclose a second list of fifteen experts whose services are needed by the Chinese Government departments concerned. In the first list of experts, there were included a corn and potato breeder and an insecticide and fungicide expert for the Ministry of Agriculture and Forestry. The Ministry has explained that, in regard to the corn and potato breeder whom it needs, it makes no difference whether he

¹⁵ Not printed.

¹⁶ Not found in Department files, but see telegram No. 280, March 27, 9 a. m., from the Ambassador in China, p. 706.

¹⁷ Foo Ping-sheung.

is major in one and minor in the other, although it is preferred that he be specialized in both. As regards the insecticide and fungicide expert, he should be well versed in chemistry and in the manufacture of insecticides and fungicides. It would be much better if he also knows insect and plant pathology. But he should have experience in the operation of a small-scale insecticide and fungicide laboratory in order that the laboratory may immediately start work upon his arrival. The Ministry earnestly hopes that these experts have wide knowledge and experience and have an appropriate rank (in their respective lines of studies). The Ministry proposes to fix their term of office at three or four years.

I have the honor to indite this formal note for Your Excellency's information and to request that the above information be conveyed to the Department of State.

Accept [etc.]

CHIANG CHUNG-CHENG

[Subenclosure—Translation]

LIST OF EXPERTS NEEDED BY CHINESE GOVERNMENT DEPARTMENTS

I. For service with the Ministry of Finance :

One expert on Paper-making.

One expert on Engraving.

II. For service with the Ministry of Economic Affairs :

One expert on Petroleum Refining (to be recommended by the Ministry of Economic Affairs)

One Metallurgical Engineer (Works Engineer of very long experience in steel-making by Bessemer, open-hearth, crucible, and electric furnace processes.)

III. For service with the Ministry of Agriculture and Forestry :

One Animal Breeder (specialized in artificial fertilization)

IV. For service with the National Health Administration :

One Sanitary Engineer (with field experiences especially on Malaria prevention.)

One expert on Biological Products (with practical experiences—vaccine and serum)

One Organic Chemist (with special experiences in Vitamin preparations—concentrated from natural sources.)

V. For service with the Ministry of Communications :

One expert on Radio (engineering, repairs, manufacturing and assembling.)

VI. For service with the Ministry of Education :

One Aeronautical Engineer (inspiring teacher)

One Electrical Engineer (inspiring teacher)

One expert on Animal Husbandry (inspiring teacher)

VII. For service with the Commission of Hydraulic Affairs:

One Hydraulic Engineer (especially on the regulation of waterways, paying special attention on: (a) the problem of soil conservation of the upper valley of the waterway, (b) the problem of retarding floods and preventing soil erosion, (c) the problem of correlation of river regulation with flood control, irrigation and water power works, (d) the problem about design and construction of canalization works.[]]

VIII. For service with the Board of Information:

One expert on Films (with qualifications as following: (1) wide technical knowledge on the making standard and sub-standard sound motion pictures as well as news photos; (2) long experience in: (a) handling both profit and non-profit propaganda pictures in U. S. A., (b) making pictures with standard and sub-standard cameras, (c) laboratory work, (d) sound recording on films and discs, (e) editing and cutting; (3) interest in making documentary films on China, newsreels and newsphotos; (4) wide connections with American newsreel companies, sub-standard film distributors, and newsphoto agencies in U. S. A., (5) ability to make suggestions and impart new and practical ideas for both motion and still pictures which, when produced, will find acceptance by American producers and audience; (6) ability to write scripts, commentaries, sub-titles, captions and stories; (7) knowledge and understanding of China good enough to be able to co-operate with Chinese staff member.)

One Re-write man (experienced)

811.42793/784a

Memorandum Prepared in the Department of State

[WASHINGTON,] July 10, 1942.

BRIEF PROGRESS RECORD OF THE CHINA CULTURAL RELATIONS PROGRAM,
JANUARY—JUNE 1942¹⁸

Some caution has been exercised in initiating cultural relations activities in China because of one basic contrast to the Latin American program. Latin American culture is an offshoot of European culture and is therefore understood with relative ease by North Americans who have studied that area. Chinese culture, on the other hand,

¹⁸ Transmitted to the Ambassador in China in the Department's instruction No. 99, August 12.

is native to Asia and in many respects bears no similarity to European-American culture.

The following report represents a modest beginning.

I *Exchange of Leaders.*

About the first of April, the Ambassador cabled a list of ten types of American experts desired by the Chinese Government under the cultural relations program. Their specialties included:

- 3—agriculture
- 2—public health
- 2—industrial engineering
- 2—education
- 1—telephone engineer

The Department, after consulting with other Departments of this Government, sent numerous telegrams to China to clarify the type of experience desired in the experts, their prospective duties, and the materials with which they would work.

Approximately 175 candidates have been asked to submit their professional records, and nearly 100 have been interviewed. One man (a corn and potato breeder) has been selected. For the others the field of choice has been narrowed to one or two candidates.

A sum of \$100,000 has been reserved in the 1942 budget for the expenses of these experts. They will fly to China during the present summer.

II *Student Training.*

A two-man committee was appointed by the Department to recommend the names of Chinese students who were most deserving of assistance. The \$20,000 available for student work was distributed to 91 students at the rate of \$75.00 per month for the three months of April, May, and June.

The need among Chinese students continued to be great. The President received a number of letters from prominent citizens urging the Government to provide further aid for the Chinese in our universities. A total of 987 Chinese students were in this country when the war began and unable to return home. With the consent of Assistant Secretary Shaw the Department allocated an additional \$15,000 in its cultural relations program to student assistance. This provided monthly assistance of \$75.00 to an additional sixty-six students. The Department thus aided 157 students during part of the 1942 fiscal year.

Two Chinese engineering students were sent at Government expense to Madison, Wisconsin to work on a new charcoal burning engine for China.

The value of the potential future leaders of China who are among the students aided by this Government can be seen from the following list of studies in which these students are specializing:

38—engineering and industry
 18—science
 33—social science
 19—agriculture
 14—medicine
 13—education
 15—arts and literature
 6—Government service
 1—journalism

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III *Periodicals, Books, Microfilms, etc.*

Funds appropriated for printed materials have been directed almost entirely toward microfilming, which can reproduce a 300-page book on two ounces of film. The Chinese can use this film in several ways: they can read directly from the film, they can reprint the books from the film, or they can translate its contents into Chinese and reprint it.

First, the Department needed a light microfilm reading machine to distribute. A cultural relations officer worked with the National Archives in designing a two-pound microfilm reader which can go to China by air. The Archives were given an order in June for one hundred at an approximate cost of \$25.00 each, or a total of \$2,500.

Two 100-foot reels of microfilm were prepared in June to accompany the first readers. These reels contained 1,600 pages of material on postwar planning and 1,900 pages of recent scientific and scholarly journals. One print of each film will be presented to each of the major university centers in West China, together with several readers.

Some magazines have also been sent in paper form. Nine subscriptions to American periodicals were placed in April on instructions from the Ambassador, and are going to China by diplomatic pouch for use in a reading room at the Chinese national capital.

IV *Motion Pictures.*

Considerable research was desirable before the motion picture project could be launched. In June a sixty-page report was completed summarizing information available in the United States regarding available Chinese projectors, the necessary personnel to operate them, and Chinese experience during the last ten years in the use of American educational pictures. This report is considered accurate for information up to 1940, but newer data is needed from the Embassy.

In May and June the Division forwarded to Chungking by air, eight reels of educational, 16 mm. sound pictures, sufficient to make a

two hour program. No reports have yet been received on the use of these films because some are still en route. Twenty-one other reels have been procured for China.

The first Government picture with Chinese titles was completed in June for the cultural relations program. A Chinese artist and author in New York prepared the titles which were photographed and superimposed on the American film. This demonstration order was considered very satisfactory. The same Chinese author is now preparing three reels of Chinese voice track for American pictures. When the problems of the Chinese dialects and written language have been fully examined, the Department will be prepared to place larger orders.

The production of one new picture was started in June especially for the China cultural relations program. The War Department, at its own expense, has several camera crews photographing Chinese air cadets in Arizona and Florida. The script is being written under the direction of cultural relations officers. The film will be edited in Hollywood in August.

V *Radio.*

The \$5,000 allocated for radio broadcasts will be used, in collaboration with the Office of War Information, for broadcasts of a cultural nature which the O. W. I.¹⁹ is unable to produce with its present funds and personnel. Only news broadcasts are now going to China from this country.

VI *Conference.*

The \$1,000 allocated for a conference in this country on cultural relations with China was postponed until a thorough study could be completed on the cultural activities being conducted by 97 non-governmental American organizations. Such a report was completed in June, and is now being printed for distribution. The Department will begin drafting plans for the conference in the near future.

811.42793/784a

*Memorandum by Mr. Haldore Hanson of the Division of
Cultural Relations*

[WASHINGTON,] July 15, 1942.

LIAISON BETWEEN THE DEPARTMENT OF STATE AND OTHER AGENCIES CONCERNING CULTURAL RELATIONS WITH CHINA

The China Cultural Relations program contains certain projects which have some apparent similarity to those of other agencies. The

¹⁹ Office of War Information.

Department has established liaison with each of these agencies through a formal letter or official call, and continued its collaboration by frequent and in some cases almost daily consultation. A brief summary of this liaison work follows:

1. *Board of Economic Warfare.*

Both the Department and the B. E. W. have considered plans to send one or more experts to China, but the functions of the experts sent by these two branches of the Government would be quite different. Specialists sent by the Department will serve the Chinese Government; those sent by the B. E. W. will serve our Government.

The Department, under its 1942 cultural relations budget, offered to give to the Chinese Government the services of ten American specialists. The Chinese Government was permitted to state the types of experts which it needed. These Americans would undertake work prescribed by the Chinese, not by this Government. They would perform a service comparable to our Government employees who were loaned to Latin American governments under Public Law 63²⁰—76th Congress.

The B. E. W., on the other hand, has proposed the sending of Americans to do work for this Government as gatherers of economic information, as expeditors of strategic materials being shipped to the United States, and as advisers on the foreign production of war materials which will reduce American exports.

In practice the B. E. W. has asked to send only one American to China—a petroleum expert to be attached to the Embassy at Chungking. This man has not yet been sent; therefore, the B. E. W. has no American technicians as yet in China. That agency now has no plans to send specialists other than the petroleum expert to China.

There appears to be no conflict or overlapping in the functions which these two branches of the Government seek to perform. It is possible that a man sent to China for one function might remain there to carry out the function of the other organization, thus saving travel costs from the United States.

The Department's Cultural Relations officers have collaborated closely with the B. E. W. in the selection of specialists who will serve in China under the Department. For example, when the list of ten experts requested by the Chinese was received by the Department on March 27, the B. E. W. was apprised of its content. Higher officers of the Department consulted with the B. E. W. and authorized the Division of Cultural Relations to proceed with its plans.

Mr. Alex Taub, Chief of the Engineering Branch, Imports Office of the B. E. W., has assigned three of his officers to interview candi-

²⁰ Approved May 3, 1939; 53 Stat. 652.

dates for service under the Department's Cultural Relations program in China.

Mr. Charles Rayner, Chief of the Far Eastern Division in the B. E. W., has been kept informed of the progress in this selection.

Aside from this informal type of liaison, an automatic channel of collaboration has been in force.

On February 26, 1942, the Department notified most executive agencies, including the B. E. W., that any plans for sending personnel on foreign assignments must first be submitted to a committee composed of Mr. Sumner Welles, Mr. Dean Acheson, and Mr. G. Howland Shaw, all of the Department. (See attached copy of Departmental Order 1052.^{20a}) The Department set up in the Division of Foreign Service Administration a file of all government representatives abroad. This would prevent any duplication in plans or in personnel already abroad for the various branches of the Government.

2. *Lend-Lease Administration.*

Lend-Lease is authorized to send to China only the type of specialists who can contribute directly to the Chinese military effort.

In practice, Lend-Lease has paid the cost of seventeen Americans in China. Sixteen were in the Public Health antimalarial mission which worked along the communication lines that were bringing military supplies from Burma. The only other specialist was an Army veterinary doctor who was sent to work among the pack animals bringing military supplies from Russia.

Lend-Lease and the cultural relations officers have maintained close collaboration on questions involving American experts. Dr. Lauchlin Currie, Administrative Assistant to the President, and adviser on Lend-Lease aid to China, was consulted even before the cultural relations program was set up. He has received copies of all important telegrams to and from Chungking on this subject.

Mr. Benjamin Schaberg, liaison officer in the China section of the Lend-Lease Administration, has notified the cultural relations officer whenever Chinese officials in Washington have inquired about American experts.

3. *Office of War Information.*

The Department and the O. W. I. both have plans for sending to China microfilms, motion pictures, radio programs, and magazines, but the content matter would be entirely different and in most cases the two programs would reach a different economic and social level in China.

The O. W. I. sends war information and current opinion of propaganda value. The Department sends educational and scientific materials of value to Chinese universities and to those intellectual leaders who are guiding the Chinese war effort.

^{20a} Not printed.

The Department has been in constant touch with the following officials of the Foreign Information Service in the O. W. I.: Mr. Carl Crow, Coordinator for the Far East; Mr. Walter Wilgus, chief of the Far Eastern Radio staff in Washington; Mr. Edward Stanley, in charge of publications in New York; and Mr. Lacy Kastner, in charge of motion pictures in New York.

One cultural relations officer spent three days during June discussing with the O. W. I. staff in New York their plans. The conclusions reached were:

(a) *Microfilm.* The O. W. I. is microfilming only selected magazines of current news and opinion. The cultural relations program is microfilming only scientific and learned journals and materials of special interest to Chinese universities.

The O. W. I. has its microfilming done under contract by the New York Public Library and by Recordak Corporation; the cultural relations microfilming is done by the Library of Congress and by the Department of Agriculture, both on a reimbursable basis. It is understood that the Government microfilming in Washington is less expensive, but slower.

Since the O. W. I. microfilms are intended only for delivery to Chinese newspapers and magazines, to be translated into Chinese, that requires only one microfilm reader. The cultural relations microfilms are being distributed widely to Chinese college campuses where they will be read from the film; therefore, the cultural relations program provides funds for one hundred reading machines in the current budget. (It is important to note that the O. W. I. is sending a few film strip projectors to be used for propaganda pictures, but which are unsuitable for microfilm purposes.)

(b) *Magazines.* The O. W. I. is sending no magazines to China except those in microfilm for Chinese translation. The Department is sending a few journals of educational value in paper form for Chinese reading rooms on university campuses.

(c) *Motion Pictures.* The O. W. I. is sending newsreels and some war propaganda pictures to China. The cultural relations program is restricting its films to educational pictures on such subjects as health, agriculture, science, and the American way of life. The O. W. I. films all have a military bearing. The cultural relations pictures all would be suitable for a permanent educational film library in China, although they are now being selected on the basis of their scientific or educational value in China's war effort.

Both the O. W. I. and the cultural relations program are relying upon Chinese Government projectors.

(d) *Radio Programs.* The O. W. I. is now sending only news broadcasts to China. The programs go by shortwave from San Francisco

to Chungking, where some are rebroadcast by medium wave. The cultural relations program proposes to have scripts written on scientific and educational subjects, comparable to the subject matter of the motion picture films, and to send to Chungking either a recording in Chinese of such programs or the scripts, which can be translated and prepared for broadcast there. The Department of Interior has offered to do the recordings on a reimbursable basis if the Ambassador at Chungking advises that recordings are suitable.

811.42793/773 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 29, 1942—noon.

[Received 6:05 p. m.]

880. Embassy's 767, June 29, 9 a. m.²¹ Foreign Office note July 25 requests there be added to list of experts to be sent to China by the Department an adviser to the Chinese industrial co-operatives. Latter express desire for services of Professor Mackenzie Stevens of the University of Maryland to remain at least three months. Note also requests that two assistants accompany Stevens to remain for one year.

GAUSS

893.6463/108

The British Embassy to the Department of State

AIDE-MÉMOIRE

The Chinese Government have approached the Far East Development Company, and have asked for their technical service in developing various power, transport and mining projects in the Western Provinces of China, both now and after the war. The Far East Development Company is a combination of a number of British manufacturing firms producing supplies for public utilities, of which the financial control rests with Power Securities Corporation Limited and Associated Electric Industries Limited. The Company and their associates are of first-class standing, and it is understood that they are well known in American financial circles.

2. The Company has been invited by the Chinese Government to send technical experts to advise on the development, particularly in Szechuen and Yunnan, of hydro electric and transport schemes, and on the possibility of opening certain mines.

²¹ Not printed, but see despatch No. 490, June 29, from the Ambassador in China, p. 711.

3. The Company has no intention of seeking "concessions" of the pre-war kind, but hope to be able to participate in Chinese undertakings. They realize that the Chinese Government will no longer tolerate foreign control of native industries or permit foreign interference with Chinese domestic affairs. It has also been made clear to the Company that funds or supplies from the United Kingdom for the projects in mind are out of the question until there is a major improvement in the supply and transportation position.

4. On the above understanding the Company are willing to undertake the desired investigations on behalf of the Chinese Government, and propose to send experts—possibly Mr. E. M. Bergstrom and Mr. H. C. Young—to China for the purpose. They will keep the British authorities informed of their progress, and are also anxious that the position should be explained to the United States Government. Indeed the Company anticipate if the scheme materializes they may have to seek American participation in the provision of funds and materials.

5. Since the Chinese Ambassador in London has asked His Majesty's Government to give travel facilities to the Company's experts and since the investigation is to be undertaken at the request of and for the benefit of the Chinese Government, His Majesty's Government feel it difficult to refuse the Ambassador's request merely on the grounds that the projects might later be found to conflict with as yet undefined plans for post-war reconstruction.

6. Unless, therefore, the United States Government see strong objection, His Majesty's Government do not propose to try to prevent the visit of these experts, but before granting them the necessary exit permits they will endeavour to obtain confirmation from Chungking that their visit is still desired by the Chinese Government. It is some time since the Chinese authorities first approached the Company, and it may be that they have since changed their minds.

7. His Majesty's Government would be glad to know the views of the United States Government on the foregoing matter. They would too be interested to know whether a similar approach has been made by the Chinese authorities to any American concern.

WASHINGTON, August 29, 1942.

893.6462/108

The Department of State to the British Embassy

MEMORANDUM

The Department of State refers to the British Embassy's *aide-mémoire* of August 29, 1942 in regard to a proposal by the Chinese

Government that the Far Eastern Development Company, a British firm, send technical experts to China, and wishes to thank the Embassy for its courtesy in furnishing the information contained therein. It is noted that the British Embassy desires an expression of the Department's views in the matter and asks to be informed whether a similar approach has been made by the Chinese authorities to any American concern.

As regards the question of the desirability of the proposal, it would seem to us that this particular phase of the matter is one which would lie between the Chinese Government and the British Government. If the Chinese Government should desire the services of such experts, and if it appears that their services would make a concrete contribution to the common war effort, there would not, of course, arise any question of any deterrent considerations on the part of this Government. If the project is carried out, the Department of State would appreciate receiving any information in regard to the work of the technical experts and the results of their mission which the British Government might care to make available. It may be added that there has been some preliminary consideration within this Government to the sending of an economic group to China, but the matter has not so far been discussed with the Chinese Government.

So far as the Department is aware no similar request of an American firm has been made by the Chinese Government. Inquiry in the matter is being made by telegraph of the American Embassy at Chungking and if any affirmative information is received the Department will expect to inform the British Embassy in due course.

WASHINGTON, September 10, 1942.

893.01A/172a : Telegram

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

WASHINGTON, October 3, 1942—9 p. m.

915. Technical Experts.

1. Following instructions apply to all technical experts assigned to assist the Chinese Government under cultural relations program.

2. Experts will be under the general supervision of the Embassy. The Chinese Government will inform them of the nature of the assistance it desires.

3. With the Embassy's approval, experts may use the communications facilities of the Embassy.

4. Experts will be expected to keep the Embassy informed of their activities to the extent that the Embassy considers desirable, and will be so informed by the Department.

5. The Embassy is requested to make periodic reports on the activities of each of the experts as well as on the general progress of this phase of our Government's contribution to China's war effort.

6. Each expert will carry a letter of appointment and travel authorization, which he will present to the Embassy upon arrival in China.

7. Embassy will make payments provided for in travel authorizations on vouchers approved by the competent officer of the Embassy. Payments will be charged to "19-112/30006.009 Emergency Fund for the President, National Defense (Allotment to State), 1942 and 1943," and taken up in the regular accounts but not included under State Account of Advances.

8. Although payment of their travel expenses within China will be authorized from the above allotment, it is hoped that the Embassy can make arrangements with the Chinese authorities for the Chinese Government to pay transportation expenses of the experts while within China and carrying out instructions of that Government.

WELLES

811.42793/828a : Telegram

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

WASHINGTON, October 13, 1942—9 p. m.

953. The Department desires to enable six Chinese universities to select one representative each from their professorial staffs to come to the United States for residence of about one year in order that such representatives may have the opportunity to benefit themselves by further studies in their particular subjects and benefit their institutions through contact with developments in the general educational field. Opportunity would likewise arise for them to bring Chinese educational and other needs to the notice of interested parties by lectures, speeches, or interviews. Representatives should be selected with these points in mind. Each man would receive \$10.00 per diem from day of departure from China until return and \$500 for the purchase in the United States of needed equipment. Transportation costs will be defrayed abroad and in the United States and travel to and from the United States will be by air if this can be arranged but candidates should be willing to travel by sea. The American Government assumes no responsibility in connection with travel risks. The Department contemplates, unless the Embassy perceives objection, extending invitations to the National Central University Chungking, National Southwest Associated University Kunming, National Yunnan University Kunming, National Sun Yat Sen University Kwangtung, National Szechuan University Omei, and Wuhan University. The

Department would prefer that each institution be given responsibility for selecting its own representative and therefore would suggest a direct invitation but since appointees must ultimately be approved by the National Government invitations may be sent through National Government channels rather than directly, if this seems desirable. Unless the Embassy perceives objections, it is authorized to send invitations at once and afford necessary subsequent assistance in carrying out this project. In order that arrangements may be made for travel the Embassy should telegraph name of each appointee and approximate date of departure as soon as notification is received.

WELLES

811.42793/834 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, October 21, 1942—11 a. m.

[Received October 22—2 p. m.]

1210. Your 953, October 13, 9 p. m. The list of universities to which invitations should be extended omits National Chekiang University which according to Embassy's information is ranked in academic opinion with National Central, National Southwestern and Wuhan Universities as having a common high standard, while National Sun Yat Sen, National Yunnan and National Szechuan Universities are reported to maintain lower standards as regards both faculty and curriculum. The two last named however are reported to be specially favored by the Minister of Education.

Department may wish to reconsider list of universities to which invitations should be sent, and at the same time it might wish to consider substituting Academia Sinica and perhaps Nankai Institute of Economics which while technically connected with Southwestern University maintains a semi-independent status at Chungking.

I await further instructions before extending invitations and at the same time request information as to who will bear tuition costs and what is intended to be covered by the allowance for "equipment".

GAUSS

811.42793/834 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, October 27, 1942—6 p. m.

995. Your 1210, October 21, 11 a. m. Department believes that National Chekiang University may advisably be substituted for Sun Yat Sen University but desires to retain National Yunnan and Szechuan Universities as a measure of encouragement to West China.

The Department understands that both the Academia Sinica and Nankai Institute now have staff members in the United States. The Department will defray charges for tuition if incurred. The Department will allot \$500 to each representative on arrival against a receipt stating that this sum is to be expended for necessary equipment. This will allow the representative to determine the expenditure of the sum in the light of his particular needs.

HULL

811.42793/671 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, November 4, 1942—9 p. m.

1028. 1. Your reports on the Chinese-American Institute of Cultural Relations seem to indicate that the institute is firmly established and is engaged in activities well calculated to promote cultural relations between the United States and China. On July 23, 1942 the President made funds available for "contributions to Chinese cultural institutes" and the Department is prepared to contribute to the Chinese-American Institute in support of its activities during the remainder of the present fiscal year not to exceed \$18,000.

2. While the institute will be free to expend this money during this fiscal year in any way it deems most useful in promoting such cultural relations the Department desires to suggest for the institute's consideration the possible advisability of using the money in part for establishing branches in other cities, purchasing locally physical equipment including motion picture projectors if obtainable, engaging competent secretaries and for such activities as collecting biographical data concerning Chinese returned students from the United States. After investigation by the institute please report whether used sound or silent projectors can be obtained in China possibly from some other branch of the Chinese Government. The Department might be able to send spare parts by plane.

3. A statement later on of the purposes for which these funds have been used and of the results achieved would be of interest to the Department in considering the advisability of continuing the contribution after the present year. The Department will welcome your suggestions for the supply to the institute of equipment that may not be obtainable in China such as motion picture projectors, educational films, books, magazines, microfilms and projectors and phonographs and records. Shipment of such articles would of course depend upon the availability of transportation facilities.

4. The Embassy is hereby authorized to transfer this contribution to the Institute in amounts and at times suggested by the Institute up to a total of \$18,000. No vouchers are required other than receipts from the Institute on Form 1034 designating the amount as a contribution from the American Government toward carrying out a program of Chinese-American cultural relations. In drawing on the Department for this purpose charge to appropriation 19-112/30006.009 Emergency Fund for the President, National Defense (Allotment to State) 1942 and 1943.

HULL

UNWILLINGNESS OF THE UNITED STATES TO GRANT
CHINESE REQUEST FOR THE FORMATION OF CHINESE
VOLUNTEER CORPS IN HAWAII

893.20/750 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, March 25, 1942—2 a. m.

[Received March 26—8:22 p. m.]

266. The Embassy has received a third person note dated March 20 from the Ministry of Foreign Affairs which refers to previous approaches regarding the organization of volunteer corps of overseas Chinese (see my telegram of December 20, 11 p. m. [1 p. m.]¹ to Manila and Department's 329, December 27, 5 p. m.²) and goes on to state in translation as follows:

"Hostilities on the Pacific are daily spreading and have reached the homes of numerous Chinese citizens who, owning property and attacked [*attached?*] by long residence, would have been willing to make sacrifices and join in the fight against the common enemy. Unfortunately they were not practically utilized and an opportunity was lost. However, there are at present several tens of thousands of Chinese in Hawaii of whom many must be of military age. The Chinese Government feels that no further opportunity should be lost and that a Chinese volunteer corps should speedily be organized to fight in conjunction with the Allied forces. The Ministry therefore requests the Embassy to despatch a telegram without delay to the American Government asking its prompt agreement and reply."

The Embassy in acknowledging the receipt of the note is stating that the matter has been referred to the Department.

GAUSS

893.20/750 : Telegram

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

WASHINGTON, April 3, 1942—5 p. m.

253. Your 266, March 25, 2 a. m. Please inform Ministry of Foreign Affairs that the matter in question is receiving appropriate consideration.

¹ *Foreign Relations*, 1941, vol. iv, p. 759.

² Not printed, but see *ibid.*, footnote 77.

According to unpublished figures of the Bureau of the Census, there were in 1940 in the Hawaiian Islands 28,774 persons of the Chinese race, of whom 23,930 were "native born" and 4,844 were "foreign born". The Bureau states that 6,138 of the "native born" and 427 of the "foreign born" fell within the age group 18 to 44. Persons in the "native born" category would presumably be American citizens and those of military age would be subject to military service under the Selective Service Act.³

WELLES

893.20/754 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, June 26, 1942—7 p. m.

562. Department's 253, April 3, 5 p. m. and your despatch 354, April 8.⁴ War Department reports that a careful study has been made of the Chinese Government's suggestion that a volunteer corps be organized from among Chinese in Hawaii. It states that a substantial proportion of the Chinese in Hawaii are now performing important civil defense and other duties essential to the welfare of the Territory, and that others have been inducted into the armed forces. While fully appreciating the sentiment of the Chinese Government, the War Department feels that it would be impracticable at this time to relieve these men from their duties in order to form a separate Chinese volunteer corps.

In your discretion and if you consider it advisable, you may inform the Foreign Office of the substance of the preceding paragraph.

HULL

³ Approved September 16, 1940; 54 Stat. 885.

⁴ Latter not printed; it enclosed copy of a note to the Chinese Ministry for Foreign Affairs dated April 8, carrying out instructions contained in Department's telegram No. 253, April 3, 5 p. m., to the Ambassador, *supra*.

INTEREST OF THE UNITED STATES CONCERNING CHINESE POSTWAR PLANNING

740.0011 Pacific War/2220a : Telegram

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

WASHINGTON, March 25, 1942—midnight.

218. A United Press report under Chungking date line March 23, published in the *Washington Post* and other newspapers, stated *inter alia* that

“President Sun Fo of the legislative department of the Chinese Government today urged President Roosevelt and Prime Minister Churchill to announce a ‘Pacific charter’ which would pledge the United Nations to recognize the independence of India, French Indo-China, Korea and the Philippines.

It was the first authoritative expression by a member of the Chungking government on this country’s attitude toward the disputed question of independence of India.¹

Sun’s views were released in a signed article in the official *Central Daily News* and urged that the Chinese government immediately recognize members of a ‘Korean provisional government’ ”.

Department will appreciate receiving any pertinent information you may have or any comments you may wish to make in regard to this report.

WELLES

895.01/98 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, March 28, 1942—11 a. m.

[Received 7:42 p. m.]

287. Department’s 218, March 23 [25], midnight. The United Press report is based upon an address made by Sun Fo before a local cultural association which subsequently appeared in the Chinese language press in abbreviated form. The extracts reported by the United Press correspondent are substantially correct although Dr. Sun, rather than announce the adoption of a Pacific Charter, stated

¹ Generalissimo Chiang Kai-shek, President of the Chinese Executive Yuan (Premier), paid a visit to India in February.

that the Atlantic Charter could, and expressed confidence that it did, apply to all parts of the world.

The Embassy believes that Dr. Sun (1) in bespeaking independence for Indians, Indochinese, Koreans and other peoples and (2) in asking recognition of the Korean Provisional Government was not acting under the instructions of his Government or with its foreknowledge. With respect to (1), there is little reason to doubt however that the Chinese favor independence for India and other eastern countries, but with respect to (2) the Chinese Foreign Office has made it clear to the Embassy that it is not yet prepared to accord recognition to the Korean Provisional Government.

Dr. Sun Fo by virtue of his family position ² assumes and apparently is [able?] to procure greater freedom of expression on political matters than is the case with other party and Government officials. It is not believed, however, that his influence in party councils is commensurate with his position or that declarations by him are necessarily recognized by the Chinese Government[^{'s}] responsible officials.

GAUSS

893.00/14858

The Ambassador in China (Gauss) to the Secretary of State

No. 429

CHUNGKING, May 28, 1942.

[Received June 24.]

SIR: I have the honor to enclose for the Department's information a copy of a bulletin of the China Information Committee (propaganda release of the Ministry of Information) dated May 12, 1942,³ concerning the formation of the South Seas Chinese Association on May 10, 1942, at Chungking.

The Association's aims, as stated in the bulletin, are the wartime relief of overseas Chinese from the South Seas and the postwar reconstruction of Chinese enterprises in those areas. Its board of directors and ranking officers are composed of the leaders of the Kuo-mintang Party, testifying to the importance placed by the party in strengthening the ties between China and the Chinese of the South Seas. The efforts of the Chinese Government to obtain the support of these overseas Chinese has both political and economic significance in view of their numbers and their economic position in the past in the South Seas region. It should be noted that those persons of Chinese

² As son of Sun Yat-sen.

³ Not reprinted.

race resident in foreign countries, who under the laws of those countries are considered as citizens thereof, are held by Chinese nationality laws to be Chinese citizens.

Respectfully yours,

C. E. GAUSS

893.00/14855: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, June 17, 1942—1 p. m.

[Received 3:12 p. m.]

720. Sun Fo, President of the Legislative Yuan, in a speech on June 5 predicted that after the war "Indochina, Burma and India will regain their sovereignty" and Wu Te-chen, Secretary General of the Kuomintang, in a speech on June 12 several times declared that after the war Burma shall be free. These declarations are representative of Chinese tendency to consider that China shall be the leader of Asiatic peoples.

GAUSS

740.0011 Pacific War/2664

The Ambassador in China (Gauss) to the Secretary of State

No. 477

CHUNGKING, June 22, 1942.

[Received July 23.]

SIR: I have the honor to refer to recent statements in the Chinese press, one of which—an editorial in the *Ta Kung Pao* of April 6—was brought to the attention of the Department by my despatch no. 374 of April 16, 1942,⁴ to the effect that the Liu Chiu Islands would be separated from Japan in the peace settlement, and to enclose a copy of a memorandum of a conversation in which the Director of the Eastern Asiatic Department of the Ministry of Foreign Affairs denied Chinese claims to the Islands.

Respectfully yours,

C. E. GAUSS

[Enclosure]

*Memorandum by the Third Secretary of Embassy in China (Service)
to the Ambassador in China (Gauss)*

[CHUNGKING,] June 17, 1942.

Subject: Formosa and the Liu Chiu (Riukiu) Islands

During a general conversation this afternoon at the Ministry of Foreign Affairs with Dr. Yang Yun-chu, Director of the Eastern

⁴ Not printed.

Asiatic Affairs Department, I mentioned the several recent statements in the Chinese press about the return of Formosa and the Liu Chius to China after the war.

Regarding Formosa, he said that its return seemed fitting to the Chinese because the greater part of the population was Chinese and had continued to maintain close ties with China.

Regarding the Liu Chius, he said that it was unfortunately inevitable during wartime that there should be exaggerated statements by private individuals concerning war aims; that the truth of the matter was that the people of the Liu Chius were not Chinese and the number of Chinese residents there probably were not more than a few tens, that the islands, which had only been tributary to China, had been entirely separated from it for almost eighty years; that they were unimportant economically and strategically, and that they were now in effect an integral part of Japan, to which they were geographically closely related. He was sure, therefore, that neither the Minister for Foreign Affairs nor any other part of the Chinese Government contemplated their return to China in a peace settlement.

JOHN S. SERVICE

840.50/504a : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, July 21, 1942—8 p. m.

656. Department is endeavoring to follow closely (1) outstanding ideas both publicly and privately advanced, and (2) trends of thinking in the several United Nations on post-war problems, especially of an international character, and their solution. Accordingly, it is desired that you furnish to the Department, by telegraph, a periodic report on such ideas and trends in China, subsequently sending by pouch, as may be practicable, copies or translations of such significant published data as you may consider useful and appropriate.

HULL

840.50/640

*Memorandum of Conversation, by the Counselor of Embassy in China (Vincent)*⁵

[CHUNGKING,] July 29, 1942.

Yesterday I called on Dr. Henry Chang, Director of the American Department of the Foreign Office, and later on Dr. T. F. Tsiang, Director of the Political Affairs Department of the Executive Yuan.

⁵ Copy transmitted to the Department by the Ambassador in China in his covering despatch No. 554, July 30; received September 1.

Among other matters, we discussed steps that were being taken in Chungking to study post-war problems.

Dr. Chang indicated that he had been delegated by the Foreign Office to give special attention to the matter of post-war adjustments. He stated that he had made very little progress, due to the lack of material for pursuing his studies, to the lack of specific determination of the scope of the studies, and to the lack of coordination with other Departments of the Government also interested in such studies. He said he hoped to get organized for real work within a month or two. In the meantime he is undertaking to keep me informed of any interesting developments. He said it would be very helpful to him if he knew what was being done in Washington with regard to the study of post-war problems. He was particularly interested in matters pertaining to organization and scope of research.

Dr. Chang foresaw that internal reconstruction would be China's principal post-war problem. China would need financial support for such reconstruction, and would look to America for that support. If allowed reasonable access to American markets, China would have no difficulty in paying interest and retiring principal on credits extended. There was little or no trade competition between China and the United States. China wanted to export to the United States metals (antimony, tungsten and tin), wood oil (tung oil), silk, tea and other typically non-competitive Chinese products. In return China wanted to import from the United States the materials to build up its industrial and transport system.

Dr. Chang emphasized his belief in the necessity of according all nations really free access to raw materials. He said this was especially important in the Far East. Underlining the word "free" he said that access must not only be free from special political preferences but that access must be made free to nations with small capital reserves through a liberal system of credits or raw materials pools. He said that post-war economic policy should be so designed as to leave no excuse for further employment of the term "have not" in reference nations.

With regard to political problems after the war, Dr. Chang foresaw Korean independence, disposition of Indochina, the future of Siam, and Malayan adjustments would furnish material for careful study. He made no specific suggestions as to policy but dealt at some length with the question of the Chinese residents in Malaya who he stated constituted over fifty per cent of the entire population and whose influence and interests, particularly in commercial fields, were relatively even greater.

Dr. T. F. Tsiang had some weeks ago informed me that, whereas he feared that there would be an inclination in some quarters for

China to play power politics after the war, he hoped that wiser counsels would prevail and that full attention would be devoted to the all important question of internal reconstruction. He told me yesterday that a group had been meeting together in recent weeks discussing post-war problems. He said that he was not a member of the group but heard through friends of the course of the discussions. He suggested that I see Dr. Wang Chung-hui, former Minister for Foreign Affairs, who was a leading member of the group. He said that in so far as he was informed, the group had devoted its attention largely to two questions: the extent to which China should in the post-war period resort to socialization of economic life, and the kind and extent of assistance China would need after the war. With reference to the first question, the majority of the group seemed to be opposed to extensive socialization under the government, preferring regulatory and control measures which left the individual business men initiative and scope for commercial and industrial development. With regard to the second question, he said that the group had discussed the matter of aid from England and had decided that little could be expected from that quarter and that a paper had been prepared setting forth the aid that China would desire and require from the United States. In so far as he knew the group had had no special discussions of political questions.

I mentioned a recent editorial that had appeared in a Chungking (Chinese) newspaper in which the point was made that Siam had forfeited its right to independence and that China would have to assume a protectorate over the country after the war. Dr. Tsiang thought this was going a little far. He said that while the proportion of Chinese residents in Siam was not as great as in Malaya, it was considerable and influential, and feared by the Siamese. This fear has been the cause of Siam's refusal to exchange diplomatic representatives with China.

JOHN CARTER VINCENT

840.50/531 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, August 3, 1942—11 a. m.

[Received 4:17 p. m.]

902. Reference to the Department's 656, July 21, 8 p. m. The Embassy has endeavored to follow opinion (editorial, unofficial and official) in China with regard to postwar problems. Editorial opinion has been concerned very largely with postwar reconstruction within China although attention has been devoted to such obvious political

problems as independence of Korea and India, both of which the press favors. China is expected to recover all territory lost since the Sino-Japanese war of 1894 which includes Formosa and Manchuria. The postwar disposition of Indochina causes some concern and one paper has commented that Siam, having forfeited its right to independence by its relations with Japan, should be placed under a Chinese protectorate. However, [there is little?] evidence of jingoism, emphasis being placed upon the goal of freedom for Asiatic peoples insofar as practicable.

There are a number of unofficial organizations which are devoting some thought to postwar problems, notably the League of Nations Society and the People's Foreign Relations Association. Little has been ascertained regarding their studies but they are understood to be unprecise and to follow generally the same lines as the press. Articles in the press are frequently inspired by members of these organizations or by the public utterances of officials.

Last year before the outbreak of the Pacific War, an official Chinese organization was established to study postwar problems and planning. The existence and work of the organization was then and is now given no publicity and the following information was obtained in strict confidence. Dr. Wang Chung-hui, then Foreign Minister and now Secretary General of the Supreme National Defense Council, is the head of an organization numbering about 40 members. Dr. Wang was formerly Minister of Justice and Chinese judge on the Permanent Court of International Justice. He explained that the studies of his organization are divided into three categories: (1) organization for international security; (2) economic adjustments, subdivided into (a) rehabilitation and reconstruction problems in China and (b) international commercial and economic relationships; and (3) China's postwar relation with Japan and its Far Eastern political relations in general.

With regard to (1), China favors as it has in the past favored international organization for collaboration and security. Disarmament and an international police force are essential to security. So also is a willingness to submit disputes for arbitration without reservation to an impartial non-political tribunal. The treaties to end the war and organization for maintaining peace should be treated separately. The negative or preventative organization for settling disputes should be separated insofar as possible from the positive constructive organization for collaboration and improvement of conditions. The approach of the former should be strictly judicial whereas the latter would be political, economic and social. Dr. Wang spoke with approval of Mr. Welles'⁶ suggestion [of] a "cooling off"

⁶ Sumner Welles, Under Secretary of State.

period but said that it should be made as short as possible to avoid confusion.

With regard to (2), Dr. Wang said that his organization advocated a "go slow" policy toward socialization of industrial life in China; that China looked to America for financial and technical aid to carry out its postwar reconstruction program; that China also looked to America as a market of its exports in order to permit refunding credits and that there was general agreement to follow the lead of Secretary Hull in interest of good neighbor policy in commercial relations (trade agreements, lowered tariff rates, abandonment of nationalistic trade policies, and impartial access to raw and essential materials).

With regard to (3), Dr. Wang indicated that studies were in an initial or formative stage. Neither postwar relation with Japan nor Russia were discussed specifically. He said that Korea should have independence; that status of Indochina would depend on position of France at the end of war; and that Thailand should regain independence. He mentioned the large Chinese population of Malaya and preeminent part it played in commercial life but offered no suggestion with regard to postwar plans for that area. He observed that neither the population of Indochina nor that of Netherlands [East] Indies was prepared for self-government. This observation led to a discussion of mandates. Dr. Wang earnestly favored a mandate system with the mandate authority absolutely international and directly under a postwar international organization. He stated that administration should be for the threefold purpose of training the inhabitants to assume the responsibilities of self-government, of developing the economic resources of the mandate area for the benefit of the inhabitants and of maintaining access to the raw materials and materials of these areas on a basis of equality of opportunity.

Please treat the source and substance of the foregoing as confidential.

Mail despatch follows.⁷

GAUSS

840.50/531 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, August 8, 1942—6 p. m.

714. Your 902, August 3, 11 a. m. Department has found the telegram under reference interesting and useful, and appreciates the promptness and thoroughness of your response.

HULL

⁷ Despatch No. 560, August 4, not printed.

840.50/866

The Ambassador in China (Gauss) to the Secretary of State

No. 579

CHUNGKING, August 18, 1942.

[Received September 10.]

SIR: I have the honor to refer to my despatch No. 560 of August 4⁸ and to previous despatches on the subject of post war problems, and to enclose a translation of an article⁹ written by Dr. Chu Ko-ching, President of National Chekiang University, which appeared in the *Central Weekly*, a Kuomintang controlled publication, and in the *National Herald*, a daily English language newspaper understood to be an organ of the Ministry for Foreign Affairs.

Dr. Chu traces the historical relations between China and Indo-China and points out the importance of the latter to China as an outlet to the sea for southwest China, as an area for mutually beneficial trade relations, and as a defensive outpost. He states that, at the future peace conference China should ask that French Indo-China be given independence, and if the latter should be deemed unprepared for self government, China should offer to become its mandatory nation. He concludes with the statement that China cannot let Indo-China fall into the hands of aggressive Japan nor permit it to lapse into the hands of the French Indo-China government whose surrender to Japan without a determined struggle in the autumn of 1940 sealed the fate of Singapore and Burma.

It may be recalled that, in several despatches reporting conversations between the Counselor of Embassy and Chinese officials regarding post war problems, mention has been made of the Chinese attitude toward French Indo-China. Without doubt the Chinese have a very positive interest in the future status of Indo-China. Dr. Wang Chung-hui, chief of an official Chinese organization devoting itself to study of post war problems, has shown such an interest as has also Dr. Tsiang Ting-fu, an influential official of the Executive Yuan.

In a recent press conference, answering a correspondent's question as to whether, in the light of developments in India, he did not feel that those who demand a Pacific Charter were right, Dr. Tsiang, as government spokesman, said that the principles behind the Atlantic Charter were not restricted in application to the Atlantic area alone "but many here feel that a special Pacific Charter—an allied statement on Pacific problems—will be very helpful. However, the Atlantic and Pacific charters must be harmonious in principle, although specific problems may be handled differently because these individual problems are different in nature". Asked what he thought the Pacific

⁸ Not printed, but see telegram No. 902, August 3, 11 a. m., from the Ambassador in China, p. 735.

⁹ Not reprinted.

Charter should specifically contain, the spokesman said that such a declaration should recognize the aspirations of certain Pacific countries such as Korea, the Philippines, India, Burma and China. Asked whether French Indo-China would be included, Dr. Tsiang said that Indo-China "was in a slightly different category. I don't know how we will deal with it, because France has a special position.["⁹]

Respectfully yours,

C. E. GAUSS

893.50a/156: Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, September 14, 1942—1 p. m.

[Received September 15—1:45 p. m.]

1045. Embassy has received authentic information that Board of Economic Warfare has approached T. V. Soong¹⁰ with proposition to send experts to China to consult with Chinese officials regarding postwar reconstruction problems in China. Soong has telegraphed his Government. The source of foregoing is a responsible Chinese official who indicated that Chinese Government is not yet fully prepared to discuss reconstruction problems in any detail but he did not state what reply would be made to Soong.

Inasmuch as Embassy has not been advised of Board of Economic Warfare proposal, the above information is communicated to Department on the chance that it has not been consulted by Board of Economic Warfare.¹¹

GAUSS

893.50/277

The Ambassador in China (Gauss) to the Secretary of State

No. 645

CHUNGKING, September 25, 1942.

[Received October 30.]

SIR: I have the honor to enclose for the Department's information a translation of an address¹² delivered by Dr. Sun Fo, President of the Legislative Yuan, before a meeting of the Four Northeastern Provinces' War Aid Association on September 18 concerning the postwar status and development of the Northeastern Provinces.

¹⁰ Chinese Minister for Foreign Affairs.

¹¹ In a memorandum of November 19 the Assistant Chief of the Division of Far Eastern Affairs (Atcheson) informed William E. DeCourcy, Executive Assistant to the Assistant Secretary of State (Shaw), on request of Mr. Shaw, that the Division of Far Eastern Affairs knew nothing about this matter. Though at this time the Board of Economic Warfare indicated it was no longer interested in this particular situation, it did show a continued interest in sending some kind of economic mission to China; but no formal approval was made by the Board of Economic Warfare to the Department at this time.

¹² Not printed.

The address is of interest in that it envisages full control of the provinces by the Central Government, governmental control of all public utilities, governmental ownership and development of all industrial and mining enterprises, governmental ownership of land and the introduction of a collective farming system and mechanized farm production, a practical government monopoly of foreign trade and the encouragement of mass emigration of Chinese to that area. While due allowance must be made for Dr. Sun's political beliefs in evaluating the program advanced in his address, the possibility of an attempt to put into effect most of the suggestions made by him cannot be overlooked. Many of those suggestions represent the trend toward governmental enterprises and control of trade which has been increasingly evident in China during recent years, and it is not to be expected that the Chinese Government would overlook an opportunity to introduce such measures in an area from which Japanese interests might be expected to be eliminated and in which there would be no other foreign interest of importance.

Chinese editorial comment on September 18, the anniversary of the Mukden Incident, was devoted chiefly to the theme that the present war had its beginning in the Japanese aggression against Manchuria in 1931 and that the expected United Nations victory would result in the end of Japanese military aggression and the return of Manchuria to China, one of whose war aims was the recovery of that area.

Respectfully yours,

C. E. GAUSS

840.50/912

*Memorandum of Conversation, by the Counselor of Embassy in China
(Vincent)*¹³

[CHUNGKING,] November 12, 1942.

Yesterday Secretary Philip Sprouse and I called on Dr. Wang Shih-chieh, Executive Secretary of the People's Political Council, to discuss the recent meeting of the Council. Dr. Wang had told me sometime before the convening of the Council that he would be glad to inform me of the discussions that might take place in the Council meetings of post-war problems and I therefore directed the conversation along those lines. Some of Dr. Wang's statements were in response to direct questions but for the most part he gave the information unsolicited.

With regard to post-war world organization, Dr. Wang referred to a recent address made by Dr. Wang Chung-hui, a leading Kuomintang official and former Chinese judge on the Hague International

¹³ Copy transmitted to the Department by the Ambassador in China in his covering despatch No. 739, November 19; received December 14.

Court of Justice, before the Political Science Association. He said that the discussions in the Council with regard to post-war world political organization were along the lines of Dr. Wang Chung-hui's address and were in substantial agreement with it. A press report of Dr. Wang's address is attached hereto.

With regard to post-war economic problems, Dr. Wang Shih-chieh stated that the Council discussed reconstruction with particular reference to China and was in favor of some form of "post-war lend-lease" to countries such as China which had suffered from the devastations of war and did not have the capital reserves to finance necessary measures of reconstruction. (Such measures as generally understood here are in the fields of industry, transportation and agriculture. The Chinese Government desires to promote light industries for the production of consumers goods and to develop those industries directly related to national defense; that is, steel production and the production of defense armaments. Extension of rail, highway, and air communications is envisaged on a somewhat grandiose scale. With regard to measures in the field of agriculture much is said but little that has been done promises concrete action in regard to the pressing problem of agrarian reform (land tenure, taxation, and improvement). Any post-war lend-lease or other form of material aid to China that might be given should definitely be premised upon the actual undertaking of sound constructive measures by China rather than upon vague ambitions and paper planes [*plans*] and it would not be amiss to stipulate that reconstructive measures for which aid is sought be socially progressive as well as financially and economically sound.)

In response to my question Dr. Wang said that the Government's financial and economic policies had been subject to much discussion particularly with reference to post-war prospects. He said that there had been severe criticism of foreign trade and exchange control, of the government's monopoly policy, and of the tendency toward nationalization of industry. Government-controlled companies having the exclusive right to handle exports of certain commodities (tung oil, bristles, silk, tea, minerals, etc.) were criticized as inefficient. Although at present excused as a war-time measure, their continuation after the war was feared. Businessmen foresaw a serious curtailment of free commercial enterprise. They also foresaw, through the control of exports, a continuation of government control of foreign exchange into the post-war period and thus virtually a control of all foreign trade, import as well as export. National monopolies of such commodities as cigarettes, matches, sugar, salt, etc., were the subject of much adverse comment. In this connection Dr. Wang expressed the opinion that despite their unpopularity in some quarters, gov-

ernment monopolies of certain commodities might be expected to continue after the war. He hoped they would become more efficient as revenue producing agencies. Dr. Wang thought also that, despite the complaints registered in the Council meetings, the tendency toward the socialization or nationalization of certain types of industry would carry on after the war. Many of the Council members feared the consequences of government in business but Dr. Wang believed it necessary in an industrially backward country like China that the development of certain industries must be in the hands of the government; industries connected with national defense, for instance. He said that careful distinction should be made between the fields for public enterprise and those for private enterprise and felt that there would be ample room for private industrial enterprise in China alongside national industries.

I asked Dr. Wang whether there had been discussion of post-war relations with Japan. I had heard of differences of opinion with regard to the severity with which Japan should be treated after the war. He did not answer the question directly but said that the Council members expected the unconditional return of Manchuria to China and the liberation of Korea. He expressed his opinion that Japan must be given a thorough military defeat.

I asked him whether relations with Russia had been discussed. He said that there was unanimous agreement that no opportunity should be overlooked to improve friendly relations with Russia. I asked him how it was thought this could be done. He said that Russia was not suspected of territorial ambitions in the Far East. Manchuria was specifically mentioned. He said, however, that there were problems to be settled with regard to the border regions of Sinkiang and Mongolia. He said that these regions played an important part in relations between Russia and China and that it was important that satisfactory arrangements be reached in regard to them. With regard to the Chinese Communist Party, he said that the Soviet Government had already agreed to refrain from political or social propaganda in China. Without going into detail or being specific as to just what he expected, he expressed the opinion that the United States and England might be of considerable assistance in bringing about a better understanding between Russia and China. He said that the British had their Anglo-Soviet treaty¹⁴ and that American influence with Russia was strong. China would welcome a "pre-peace" agreement on fundamentals with Russia. He did not say why he felt that American and British aid was required to achieve this end.

¹⁴ Signed at London, May 26, 1942, League of Nations Treaty Series, vol. cciv, p. 353.

The conversation turned to an account of the Council's attitude and discussions with regard to purely domestic issues, a report of which Mr. Sprouse has prepared (despatch no. 736 of November 18, 1942¹⁵).

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

[Annex]

Press Report on Address by Dr. Wang Chung-hui Before the Chinese Political Science Association

Chungking, Nov. 6 (*Central*): Addressing the Chinese Political Science Association's third annual convention on "Post-War International Collective Security" this morning, Dr. Wang Chung-hui, Secretary-General of the Supreme National Defense Council, first traced the reasons for the failure of the past attempt: firstly, the incorporation of the League of Nations Covenant into the Versailles Treaty, secondly, the inherent defects of the League Covenant—it does not strictly outlaw wars; its decisions must be unanimously carried; aggression is not defined; and the enforcement of the League sanctions by League members is arbitrary—thirdly, the United States non-participation in the League and the failure of Germany and Russia to join the League right after the Versailles Conference, and fourthly, the world's lack of faith in the collective security system. According to Dr. Wang, the fundamental cause of the failure lies in the fact that government and public leaders of various countries, particularly of the member countries, lack sincerity and faith in collective security.

Dealing with post-war international organization, Dr. Wang opined that it should at least be intermediary between the League of Nations and the united states of nations whose rights and duties should be considerably expanded and organization strengthened.

Regarding the scope of the post-war international peace machinery, Dr. Wang favors the creation of universal as well as regional systems with the latter constituting an integral part of the international organization.

Dr. Wang outlined five fundamental conditions for international security: firstly, peaceful settlement of all international disputes, secondly, strict forbiddance of use of force between nations, thirdly, a clear-cut definition of aggression, fourthly, the establishment of a permanent machinery for the execution of diplomatic, economic and military sanctions, and fifthly, periodic reconsideration of treaties which become inapplicable and consideration of international conditions whose continuance might endanger world peace.

To eliminate the causes of war, Dr. Wang said, efforts should be di-

¹⁵ Not printed.

rected toward first, disarmament, second, economic cooperation and third, "moral disarmament" through psychological build-up for peace.

The Secretary-General also pointed out there is desirability in modifying the mandatory system in which mandates should be planed [*placed?*] under international control with the natives encouraged to take part in the administration since the motive behind mandates should be the promotion of democratic self-government. In case it is found impracticable to set up a world union or united states of nations after the war, Dr. Wang said, the League of Nations should be strengthened along the following lines: firstly, a peace treaty and an international security pact should be completely separated and should be drawn up at two separate conferences; secondly, there must be absolute racial equality; thirdly, the unanimity of votes system must be replaced by the majority rule system; fourthly, international employment of force must be outlawed; fifthly, all international disputes must be settled through pacific means; sixthly, aggression must be clearly and detailedly defined; seventhly, international police should be formed; eighthly, national armed forces should gradually be reduced and those countries violating the disarmament pact should be sanctioned; ninthly, "moral disarmament" should be promoted; tenthly, economic cooperation should be universal as well as regional; eleventhly, there must be clear stipulation when treaties should be reconsidered and when international conditions whose continuance might endanger world peace should be examined; twelfthly, international control of mandates; thirteenthly, under the collective security machinery there should at least be three regions: first, Europe and the Atlantic, second, the Western Hemisphere, and third, Orient and the Pacific; fourteenthly, after the war the International Labor Office should be reorganized into an international social welfare office, while the duties and rights of the international tribunal should be expanded.

Concluding, Dr. Wang said that after the conclusion of the World War II, China, the United States, Britain and Russia should undertake the responsibility of upholding world peace until the world security system is established.

840.50/1014

*Memorandum by the Second Secretary of Embassy in China (Clubb) of a Conversation With Mr. W. V. Blewett of the British Embassy in China*¹⁶

[CHUNGKING,] December 8, 1942.

In a fairly intensive discussion of the problems of post-war economic rehabilitation in China, Mr. Blewett expressed his firm belief

¹⁶ Copy transmitted to the Department by the Ambassador in China in his covering despatch No. 790, December 14; received January 4, 1943.

that the concerned Powers which would contribute to that rehabilitation, presumably the United States, Great Britain, and the Soviet Union, should insofar as possible maintain a united front on policies and actions in that regard. He expressed the strong conviction that there should be no competing for favors, or trying to steal a march, by one power vis-à-vis another. He went on to say that he considered that the problem of that economic rehabilitation, because of the status of the Chinese people (in terms of intelligence and economic wants), and the number of people and the extent of the national needs, would be perhaps the one biggest thing and that most worth doing in the post-war world. He was nevertheless of the opinion that, inasmuch as the Chinese Government was becoming increasingly autocratic, the possibilities of success of working out properly a vast program for economic construction in China—which, he pointed out, would benefit the rest of the world in an economic sense as well as it would benefit China—depended upon our putting our cards on the table before the Chinese. He believed that we should abandon the present practice of paying unwarranted tribute to the economic and political capacities of the Chinese and that with particular reference to economic projects we should indicate that we were prepared to embark upon them as partners with a hand in the conception and running of them, but that we would not be contented with the mere investment of funds. He considered that we had all the cards on our side and therefore were in a position to apply considerable leverage in connection with the large-scale projects envisaged. He said that he himself thought that much could be done by beginning with people below, in terms of seeing that there were put into practice laws for the betterment of labor and the improvement of factory conditions, and that in general he felt that we could approach the Chinese in regard to particular projects and say that we were prepared to carry them out under certain conditions, and make our stand on that basis. He cited in particular situations existing in Shensi, saying that he thought that one could, for instance, in accordance with such a hypothetical general program approach the groups in control in the so-called Red area with the proposition that certain developments could be effected there if the Chinese on their side were prepared also to meet certain conditions.

I agreed in principle with Mr. Blewett's observations in regard to the desirability of other United Nations avoiding competing for Chinese favors, remarking that it was a common practice in Chinese history for China to play one nation against another when the oppor-

tunity offered.¹⁷ I said that it was agreed that the need for economic rehabilitation in China would be tremendous, and that that need constituted a powerful lever that we could use to make certain that projects undertaken in China should be economic in nature (using the term "economic" to mean that they would be practical and designed to meet an economic need, instead of political in purpose). I asked whether Mr. Blewett saw any persons or any group of persons whom he thought one might approach in connection with this general matter with a good chance of getting adequate understanding of the significance of the general problem. I followed up my question with another, desiring to be informed whether T. V. Soong might, for example, be considered one through whom a first approach might be made. Mr. Blewett said that he felt that Mr. Soong might prove to be one of the Chinese capable of bringing a broader understanding to the matter, and suggested that it might be well if Mr. Soong were shortly to return to the United States. Mr. Blewett said that he himself had considerable faith in the good sense of the liberal and leftist groups in China.

Mr. Blewett having made mention of the attitude of the Chinese as expressed in connection with the matter of the appropriation by United China Relief of NC\$4,000,000 for the relief of members of Chinese faculties, I, with reference to the cultural relations programs as handled by the American and British Embassies, remarked that I thought that we could probably begin profitably to introduce into the material that we were communicating to the Chinese certain American and British ideas on post-war reconstruction which might be the beginning of education of certain Chinese groups to a realization of the relation of their own economic problems to those of the rest of the post-war world. Mr. Blewett agreed.

O. EDMUND CLUBB

893.9111/48

The Ambassador in China (Gauss) to the Secretary of State

No. 806

CHUNGKING, December 19, 1942.

[Received January 13, 1943.]

SIR: I have the honor to enclose for the Department's information a translation of an editorial from the *Ta Kung Pao* (independent Chinese daily) of December 15, 1942, entitled "Problems in the Pacific and Canada".¹⁸

The *Ta Kung Pao* takes the opportunity offered by the meeting of the Institute of Pacific Relations in Canada to present what in its

¹⁷ Unsigned marginal penciled notation: "I suppose it was the Chinese who exploited the Western powers in China!"

¹⁸ Not printed.

opinion are the three important post-war problems in the Pacific area: (1) how to make Chinese prosperous, (2) how to subdue Japan and (3) how to adjust relations in Southeast Asia. The editorial states that the present hostilities had their origin in the oppression of a weak China by a strong Japan and that permanent peace in the Pacific can be assured only by the emergence of a strong and prosperous China; that severe punishment must be meted out to Japan and her leaders responsible for the war must be brought to trial; that a new Japanese Government must represent the will of the people, the policy of that government to be subject to examination by China; and that the problem of the peoples of Southeast Asia should be easy to solve in accordance with the principles of the Atlantic Charter. China's position with relation to the freedom and equality of those subject peoples is reaffirmed by reference to Generalissimo Chiang Kai-shek's recent statement that China had responsibilities, not rights, with respect to those people. The editorial concludes with an appeal to Canada to take steps to improve the treatment of overseas Chinese in Canada who are subject to painful restrictions of Canadian immigration laws and discrimination.

This editorial reflects the oft-repeated opinion of the Chinese press, which is shared by many in Chinese official circles, that Japan must be thoroughly defeated and her armament industry completely destroyed and that China must emerge as the strong power in the Far East. This opinion is based on the feeling that a strong China can maintain surveillance over Japan and can serve as a restraining influence to prevent further Japanese aggression, thereby offering assurances of permanent peace in the Far East. Accompanying these claims for the necessity of a strong China is the denial that China aspires to the dominant position sought by Japan. As evidence of lack of Chinese aspiration to a position of dominance, the press constantly refers to the Generalissimo's statement, first made at the closing session of the Third People's Political Council and repeated on later occasions, that although China is the oldest and largest nation in Asia "it is not for us to talk boastfully of her right to a position of 'leadership' and China shall rather regard it as her responsibility to treat peoples of Asia as equals", toward whom China has responsibilities but not rights.

One cannot, however, entirely overlook the occasional references which have appeared in the Chinese press to the treatment of overseas Chinese in Thailand, to the large numbers of Chinese in Malaya, to the question of Burmese independence, to the post-war position of Indochina under a possible Chinese protectorate and to the important position of overseas Chinese in the South Pacific, as evidenced by the resolutions in that regard passed by the Third People's Political Coun-

cil and the Tenth Plenary Session of the Central Executive Committee of the Kuomintang. One sees increased Chinese attention to neighboring countries and to her border regions in the organization under Chinese auspices of Sino-Burmese and Sino-Korean Cultural Associations, in the attempts at reassertion of Chinese authority in Sinkiang and in the greater emphasis being placed on the border regions of the Northwest and the West, with particular attention to the spread of education among the border tribes. It seems likely, however, that Chinese internal post-war problems will be of such a magnitude as to preclude any possibility in the near future of Chinese assumption of a dominant position in the Far East or of the rise of a Chinese imperialism to succeed that of the Western nations and that of Japan.

Respectfully yours,

C. E. GAUSS

CONSIDERATION OF PROPOSED ENTRY OF CHINESE
TROOPS INTO INDOCHINA TO COMBAT JAPANESE
FORCES IN THAT COLONY

740.0011 Pacific War/1957

*Memorandum of Conversation, by the Acting Chief of the Division
of European Affairs (Atherton)*

[WASHINGTON,] January 8, 1942.

The French Ambassador¹ called upon me at his request. He said he had a most urgent matter to take up with me and he was hoping to see the Secretary at a later date if the Secretary would give him an appointment. He referred to the situation in Indochina and the defensive agreement France had in her weakness and lack of military powers of resistance in the Far East been forced to make with the Japanese Government.² He said that he had just received a telegram from his Government that the Chinese had stated since the Indochinese authorities were giving facilities to Japan, as a neutral, there could of course be no objection to giving the same facilities to Chinese troops and to Chinese efforts. The French Ambassador said the information they had made them very suspicious but that certain De Gaullist elements, supported by the British, were taking a position against General De Caux [*Admiral Decoux*], the French Government Administrator, to put his regime in as unfavorable a position as possible. He said under the defensive agreement with Japan, Indochina still had three and one-half divisions of French troops who had not been disarmed. There were 25,000 Japanese troops in the Tonkin area, but as to other Japanese troops occupying Indochinese territory, they were mostly only passing through the country.

He continued that, under instructions from his Government, (he had discussed the situation with Mr. T. V. Soong³) he was bringing this situation to the attention of the State Department. He had stressed to Mr. T. V. Soong that if China massed troops on the northern borders of Tonkin so as to threaten the safety of the 25,000 Japanese

¹ Gaston Henry-Haye.

² See telegram No. 919, July 21, 1941, 4 p. m., from the Ambassador in France, *Foreign Relations*, 1941, vol. v, p. 220.

³ Chinese Minister for Foreign Affairs.

troops there, the Japanese would be forced to augment their garrisons in that area, and, consequently, the defensive agreement made between Indochina and Japan would be broken by the Japanese. In this case the three and one-half divisions of armed troops comprising the French Forces could be used in cooperation with the Chinese effort, and Mr. T. V. Soong had undertaken to point this out to his Government.

The French Ambassador said Vichy was concerned as to maintaining her territorial integrity and did not wish to give China any claim for occupying Indochinese territory which, undoubtedly, the Chinese would want to hold at the end of the war. However, if the terms of the Indochina-Japan agreement were violated by Japan, Indochina would be in a position to make common cause with the Chinese forces. The French Ambassador said we must not judge this Indochina political situation entirely from the Indochina point of view. He cited that three and one-half divisions of French armed troops under above circumstances might be used against Japan but that without these attendant circumstances France, and Vichy in particular, would be subject to even more concentrated German pressure than continental France was undergoing at the present time if Indochina took a position versus Japan. He asked if we realized the amount of independence of support it required of the Vichy authorities these days not to completely crumble under the weights and threats that the Germans were bringing to bear for effective cooperation. Thus far, Vichy did not wish to lose Indochina either to the Chinese for fear they would hold it, or to the Japanese because of their forceful occupation of the country with troops at the present time. Nevertheless, the position of Vichy vis-à-vis Germany was also a factor as well as the fact that with justification to break the Japanese agreement, Indochina would be prepared to resist further Japanese aggression.

740.0011 Pacific War/1955

The Assistant Secretary of War (McCloy) to the Assistant Secretary of State (Acheson)

WASHINGTON, January 10, 1942.

Yesterday I had a conference with the Chinese Foreign Minister, Dr. Soong. As matters involving some political consequences were broached as well as military ones, I have the feeling that I should give you a memorandum of the interview. I understand that there is a staff conference this afternoon which is considering the military intervention of China into Indo-China and as a result of that conference

I think we will be prepared to notify Dr. Soong what, if any, attitude from a military point of view we would have toward such a step.

JOHN J. McCLOY

[Annex]

Memorandum by the Assistant Secretary of War (McCloy)

WASHINGTON, January 10, 1942.

Dr. T. V. Soong called and delivered me a communication which he had received from Dr. Chen, the China Defense Supply representative in Rangoon. The substance of this communication related to the clearing up of the Lend-Lease supply situation in Rangoon, and a suggestion that Colonel Twitty of the American forces there, who has since been relieved, was particularly bitter against the Chinese and was threatening the dissemination of information hostile to the Chinese. I passed this communication on to General Marshall.⁴

Dr. Soong also referred to a conversation which he had had with the French Ambassador, Henry-Haye. The French Ambassador indicated that he had heard a rumor to the effect that the Chinese might enter Indo China as a result of the permission granted by the French to the Japanese troops to do so. Henry-Haye stated that Dr. Soong must realize how deplorable any such entry would be from the point of view of French-Chinese relations; that the permission given to the Japanese had been given only as a matter of necessity and that China must not misunderstand it; that it did not offer any satisfactory excuse for the entry of their troops. Dr. Soong reported to me that he had stated in effect that this was an entirely unilateral affair, that the Japanese had been using Indo-Chinese bases for attacks on Chinese territory, and that France could not consider that she was really neutral in this respect; that if even as a matter of necessity the French felt obliged to give access to the Japanese troops, they could not object if as a matter of necessity China felt compelled to protect herself from the action which had been thus induced. Dr. Soong asked specifically whether from a military point of view there was any objection on our part to such a movement by Chinese troops and to what extent it fitted into the unified plan of the Far East. I told Dr. Soong that I would talk to General Marshall about this and let him know. I also advised him that in my judgment he should also communicate with the State Department and advise them of his conversations with Henry-Haye, and that as the question that he posed had political implications as well as military, he should also take up that matter with the State Department.

⁴ George C. Marshall, Chief of Staff, U. S. Army.

Dr. Soong also told me that he had heard from the Chinese representative in Stockholm (I am not sure whether this was the Military Attaché or the Ambassador or some other representative, but I got the impression that it was a rather authoritative source) to the effect that the Germans had been demanding passage for troops through Sweden to Finland. The Swedes had refused thus far and Hitler⁵ was beginning to use some rather ugly terms. As a result, some Swedish troops were being moved into prepared positions and it looked as if the refusal might continue. According to the reports, the Swedes were well supplied with anti-aircraft, artillery, and small arms, and the only thing that they needed was aircraft; and if aircraft were furnished, they were quite sure that Sweden would continue its refusal and would very likely fight the Germans in a very determined fashion if they attempted to force passage.

I notified General Marshall of all the information that Dr. Soong had given me and also carried to him the renewed request of Dr. Soong for the appointment of a senior Army officer to go to Chungking.

J[OHN] J. McC[LOY]

740.0011 Pacific War/1956

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton)*⁶

[WASHINGTON,] January 20, 1942.

Reference memorandum dated January 10 from the Assistant Secretary of War, Mr. McCloy, to the Assistant Secretary of State, Mr. Acheson, transmitting a memorandum of a conference on January 9 between Mr. McCloy and the Chinese Foreign Minister, with regard to the possible entry of Chinese troops into Indochina.

In discussing the political aspects of a possible entry of Chinese troops into Indochina it is assumed that the venture would be undertaken only if there existed a reasonable expectation of military success. If this expectation did not exist, there would appear to be little justification for the venture, especially in view of the reaction such Chinese action might have on Vichy.

Perhaps a primary political question relating to a possible entry of Chinese troops into Indochina is what independent authority Gen-

⁵ Adolf Hitler, German Chief of State, Führer, and Chancellor.

⁶ Drafted by John P. Davies, Jr., and initialed by Messrs. Acheson, Salisbury, and Smith, of the same Division; submitted to the Assistant Secretary of State (Acheson).

eral Chiang Kai-shek⁷ is considered as having with respect to the initiation of operations in the China theater of hostilities (it was stated in the White House announcement of January 3 that "His Excellency Generalissimo Chiang Kai-shek has accepted the Supreme Command over all land and air forces of the United Nations which are now or may in the future be operating in the Chinese theater, including initially such portions of Indochina and Thailand as may become available to the troops of the United Nations"). If General Chiang regards himself as the final arbiter of what action is to be taken in this theater we would presumably wish to weigh carefully and express with utmost tact any opposition which we might have to operations which he might contemplate in the area under his command.

It would seem that the most important political argument against the entry of Chinese troops into Indochina would be the possible reaction of such a move on Vichy. As indicated by the French Ambassador to Dr. Soong, the French Government at Vichy would view the entry of Chinese troops into Indochina with strong disfavor. It is not inconceivable that the French might utilize such Chinese action as an excuse for closer "collaboration" with the Axis.

With regard to the possibility of closer French "collaboration" with the Axis resulting from French resentment at Chinese entry into Indochina, it should not be forgotten that the French are realists of the first order, and that they desire to be on the winning side in the present world war. It is obvious that the driving out of the Japanese from their present bases in Indochina would weaken the Japanese military position and thus react unfavorably on the Axis position in general. This consideration would not be overlooked by the French in their consideration of "collaboration" with the Axis.

Furthermore, a successful Chinese invasion of Indochina might be expected to have a desirable political effect in China, strengthening the position of those elements favoring a determined prosecution of the war against Japan and discrediting the considerable [*any*]⁸ defeatist faction. Nor should there be overlooked the tonic effect of such a victory upon others of the United Nations.

In final analysis, the advisability of a Chinese invasion of Indochina would therefore seem to depend upon whether the military advantages plus the desirable political effects of such action would offset a possibly undesirable French reaction.

The foregoing observations might be orally conveyed to the War Department, obtaining at the same time the War Department's estimate of the military feasibility of a Chinese invasion of Indochina.

⁷ President of the Chinese Executive Yuan (Premier).

⁸ Revision by Mr. Hamilton.

Until we have a clearer picture of the military possibilities of such an operation, there would seem to be nothing to be gained by taking up the question with the Chinese Foreign Minister.

If the French Ambassador raises with us the question of a possible entry of Chinese troops into Indochina it might appropriately be called to his attention, [subject to Eu's concurrence,]⁹ that (1) having permitted Indochina to be used as a base for Japanese attacks on China, the United States and others of the United Nations, the French Government would seem to be in an untenable position to object to the entry of Chinese troops into Indochina, and (2) the French must recognize, even though they may be unwilling to admit it, that Indochina under Japanese "protection" is lost to them, whereas if occupied by one or several of the United Nations it is more likely to be returned to France at the conclusion of hostilities. If the French Ambassador does not broach the question of a possible Chinese invasion of Indochina, there would seem to be no reason for raising the question with him.

M[AXWELL] M. H[AMILTON]

793.94/17067

*The Chinese Embassy to the Department of State*¹⁰

TRANSLATION OF A TELEGRAM FROM THE MINISTRY OF FOREIGN AFFAIRS
TO THE AMBASSADOR

Reference to your telegram #202. The position taken by this Government in our reply to Vichy is as follows:

(1) A neutral country should not associate itself with any belligerent in any common action of an offensive or defensive nature. Inasmuch as the Indo-China Government has permitted Japanese troops to move into Indo-China for the purpose of attacking China, the movement of Chinese troops into Indo-China for the purpose of attacking the enemy there cannot, therefore, be a violation of the neutrality of Indo-China.

(2) Since Indo-China has signed with Japan an agreement for joint defense, it should negotiate with China for a similar agreement. Failure to do this is clearly a violation of the obligations of a neutral.

(3) Indo-China has permitted Japanese troops to enter and has also signed an agreement for joint defense with Japan. In doing so, Indo-China has practically undertaken the duty of protecting Japanese troops within its borders, and should therefore hold itself responsible for the possible spread of the war into its own territory.

⁹ Insertion by Mr. Hamilton.

¹⁰ Received from the Chinese Ambassador (Hu Shih) on January 26 by the Adviser on Political Relations (Hornbeck).

(4) China has absolutely no territorial design on Indo-China. If China, for the sake of self-defense, should send troops into Indo-China to attack our enemy, we sincerely hope the French Army would cooperate with us or at least would not offer any resistance.

740.0011 Pacific War/1837

Memorandum of Conversation, by the Acting Chief of the Division of European Affairs (Atherton)

[WASHINGTON,] January 27, 1942.

The French Ambassador called on me today at his request. He informed me:

1. That subsequent to our conversation of last Friday, the 23rd,¹¹ he had cabled his Government urging them not to permit High Commissioner DeCoux to take any action in the Far Eastern situation that would give any basis for the allegation he was acting "in conjunction with or under Japanese duress". The Ambassador felt that Commissioner DeCoux's speech recently reported was made before Vichy had a chance to communicate with him in Saigon.

2. The French Ambassador further stated that the French diplomatic mission in Chungking has been instructed to point out to Chiang Kai-shek that while Chinese bombing of territory in Tonkin in which there was a military objective might be condoned, it was impossible to accept these recent Chinese bombings of small Indochinese villages away from all military objectives. Furthermore, such action gave the Japanese a very good arguing point in urging collaboration which so far the Indochinese Government was resisting beyond the limits of what was contained in the agreement.

[Here follow two sentences on other subjects.]

740.0011 Pacific War/1956

The Assistant Secretary of War (McCloy) to the Assistant Secretary of State (Acheson)

WASHINGTON, January 28, 1942.

DEAR DEAN: I enclose herewith a memorandum sent to me by the War Plans Division covering the inquiry that was made by Dr. Soong as to the attitude of this Department to the invasion of Indochina by Chinese forces.

Before I communicate this to Dr. Soong, I think you should see it and let me have the views of your Department.

Sincerely,

JOHN J. MCCLOY

¹¹ Memorandum of conversation not printed.

[Enclosure]

Memorandum

[WASHINGTON,] January 26, 1942.

1. Views of the War Plans Division with respect to possible invasion of Indo-China by Chiang Kai Shek are as follows:

a. That French opposition to allied invasion of French territories is official and compulsory rather than representative of popular opinion and desire.

b. That one feature of allied propaganda should be to convince all Frenchmen that their only chance of recovering their territories after the war and of being restored to a world power status is through an allied victory.

c. That the situation in Rangoon and Burma is such as to make highly desirable the application of pressure from the north, in order to halt the Japanese advance. (The Chinese are already aware of the fact that any operations in North Burma must be carried out under the strategic direction of General Wavell.¹²)

d. That the advance indicated in the sub-paragraph above should not be halted merely because it might partially involve Indo-China territory.

e. That Indo-China is, in fact, occupied by our enemy and though this may have come about without any blame attaching to the French, yet the allies are justified in striking back through that territory when and if such action appears desirable.

f. That no matter what action is taken by us or by our associates in Indo-China, it will have little if any effect on French reaction in other regions, as long as our operations are carried out with due regard for the French interests such as private property, etc.

g. The British attitude on this question is unknown, but they certainly should now welcome Chinese assistance in North Burma.

740.0011 Pacific War/1877

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] February 4, 1942.

FRENCH INDOCHINA: POLITICAL AND MILITARY
STRATEGY: CERTAIN CONSIDERATIONS

French Indochina has been, is, and may increasingly be of great value to Japan in the prosecution of Japan's war effort.

French Indochina is, by virtue of its location, an area of great strategic importance as regards radial operations in which, in her present

¹² Field Marshall Sir Archibald P. Wavell, British Commander in Chief, India and Burma.

plan, Japan is engaged, on land, on water, and in the air. (*Note.* Incidentally, in addition to current indications afforded by Japan's present plans of military operation, reports from Moscow have given an account of a Japanese map in which the island of Formosa has been made a center from which the Japanese have drawn a circle with a 4,000-kilometer radius—which is taken to be an indication of a Japanese geographical-political-military concept. Northern Indochina lies about 1,300 kilometers from the center (Formosa) fixed upon for the purpose of that map and 2,700 kilometers inside of the circumference.)

In Indochina the Japanese have acquired, at practically no cost to themselves, good harbors, a few good airports, transportation facilities, barracks and housing, money, and a great variety of important supplies. In that area, the Japanese are compelling 10,000 Frenchmen and 20,000,000 natives to give them assistance of one type or another. From that area, the Japanese have been and are drawing food supplies and raw materials for the use of Japan's military machine and for use in Japan. From that area as a base, they are conducting naval operations and air operations—and they can, whenever they may choose, conduct land operations.

At present the Japanese are trying by pressure on Vichy and on the French Indochina Government to effect a turning over to Japan of merchant vessels under the French flag.

At present the Japanese are trying by pressure on the French Indochina Government to obtain a promise whereunder the whole of the rice supply surplus of Indochina will be turned over to Japan.

In the light of these facts, it is believed that serious thought should be given to the question which Chinese military authorities have raised whether it might not be highly advantageous in the United Nations war strategy to have Chinese armed force invade Indochina.

The Military Intelligence Division of the War Department General Staff gave an estimate, as of January 20, that the Japanese effective air strength in Indochina, Thailand and Malaya totaled approximately 720 operating combat planes and that favorable lines of communication afforded Japan access to a considerable number of reserves; that Japan's offensive has thus far been successful because of air superiority; that if that superiority could be denied Japan, her offensive would collapse; that Indochina appeared to be the key to the situation; that Japan's western flank was open to attack; that to protect that flank the Japanese probably would launch an offensive against Burma; that such action would secure Japan's position as far as Indochina is concerned and would at the same time close the Burma Road,¹³ making

¹³ For correspondence regarding efforts to maintain the Burma Road as a supply route to China, see pp. 1 ff.

it difficult to supply air action which might be launched from bases in China against Japan's lines of communication or against Japan; that strong air and ground action against the Japanese in Indochina from Burma would serve two purposes: (1) defensively, protection of Burma, and (2) offensively, possible driving of the Japanese from Indochina, which would cut Japan's lines of communication and force a withdrawal from points south of Indochina. They stated that if Allied bombers were based in Indochina, the Japanese Navy would not be able to operate—as its units could not be supplied; and that the least result from such an offensive (against Indochina) would be to relieve pressure in southern Malaya and the Dutch East Indies.

The French of course do not wish to see Indochina become a theater of combat operations. Vichy in particular has been making diplomatic effort toward preventing such a development. It is believed, however, that, if Chinese forces were to invade Indochina, the French in Indochina would not vigorously associate themselves with the Japanese in resistance to the Chinese invading forces. Possible political effect upon Vichy of a Chinese invasion of Indochina must, of course, be given due consideration. It is doubted whether, at this stage, that effect would be adverse to Allied interests. The position of Vichy as between the Axis powers and the Allied powers is pretty thoroughly established: Vichy is ineffective, and Germany is in position almost completely to dictate. Vichy well knows that unless the Allies win the war Indochina is lost to France forever. Vichy therefore has little or no reason to prefer a continued Japanese occupation of Indochina to an occupation thereof by forces on the Allied side.

More than a month ago the Chinese Government communicated to the French authorities in Vichy a memorandum replying to and commenting upon a contention advanced by the French authorities that Indochina possesses a "neutral" status and that the said status should be respected.

[Here follows substance of translation of Chinese telegram printed on page 754.]

It is understood that there are among French armed forces in Indochina some 150 French pilots who are said to be seasoned men and eager to fight. It is doubted whether those pilots would assist the Japanese. It is believed that there is warrant for a surmise that if those pilots once got their planes into the air they would soon disassociate themselves from any connection which they may have had with the Japanese forces; and it is conceived that they might go over to and associate themselves with American, British or Chinese forces operating against Japan in the general theater under reference.

Suggestion has been made, in a discussion of the political aspects of a possible entry of Chinese troops into Indochina, that this venture

presumably should be undertaken only if there existed a reasonable expectation of military success.—Consideration of that question presumably would revolve around consideration of what would constitute a “military success”. For a given operation, the condition of “success” may or may not be achievement of a victory. If by an attack in a particular area an enemy can be compelled to divert to that area forces upon which he is relying for important operations according to plan in another area, the operation of attack may be a success even though it may in itself involve a defeat or require an ultimate withdrawal. It is believed that a movement by Chinese forces against Indochina would seriously disturb the smooth working of Japan’s plan of operations and that it might—depending on unpredictable factors—conceivably alter the picture considerably as regards effective use by Japan of Indochina as a base.

The War Plans Division of the War Department General Staff has expressed an opinion, as of January 26,¹⁴ that the efforts which French diplomacy is making to prevent possible Allied invasion of French territories is officially inspired, under duress, and for purposes of record rather than representative of French popular opinion and real desire; that the situation in Rangoon and Burma is such as to render an application of pressure from the north desirable toward halting the Japanese advance; that such application of pressure from the north should not be withheld merely because it might partially involve operations against French Indochina; that in as much as French Indochina is in fact occupied by our enemy the associated powers would be justified in striking back through that territory when and if such action appears desirable; that such action would have little if any effect on French reaction in other regions so long as due regard is shown, in the operations, for French interests, such as private property, etc.; and that the British attitude on this question was not known.

Undoubtedly the Japanese offensives against Singapore and against Burma are tremendously facilitated by the fact that Japan has water and air bases in Indochina and is able to feed her armies there and in theaters southward, westward and eastward thereof from supplies obtained there (rice).

If, by a Chinese attack on Indochina, the Japanese could be compelled to withdraw or divert some of their forces from fronts further south for action in Indochina, it is obvious that from such an operation substantial advantage would accrue to the United Nations’ effort. If, further, the Chinese should be able to seize and hold a position in Indochina or to make the Japanese positions there untenable, the advantage to the United Nations’ effort in general would be enormous.

¹⁴ *Supra.*

In the light of the facts and the estimates outlined above, it is believed that, on the one hand, this Government and the United Nations' Staffs and Command should not discourage indications by the Chinese of a desire to operate against Indochina, and that, on the other hand, the Allied Staffs and Command might to advantage give common and intensive consideration to the question whether substantial advantage might not be gained from encouraging the Chinese to make such a move—in the near future, if possible—and giving them as full support as may be practically possible for and in the undertaking of such an operation.

740.0011 Pacific War/1877

The Secretary of State to the Secretary of War (Stimson)

WASHINGTON, February 6, 1942.

MY DEAR MR. SECRETARY: Reference is made to Mr. McCloy's letter of January 28 to Mr. Acheson enclosing a memorandum sent to Mr. McCloy by the War Plans Division covering the inquiry that was made by Dr. T. V. Soong as to the attitude of the War Department with reference to the question of the invasion of French Indochina by Chinese forces.

From point of view of our relations with France, there is no reason which would cause this Department to interpose objection to any such movement by Chinese forces. From point of view of our relations with China, this Department is of the opinion that indications by the Chinese of a desire to operate against the Japanese in Indochina should not be discouraged.

In order to avoid any possibility of hurting Chinese susceptibilities, it is suggested that the War Department, in any comments it might make to Dr. Soong in the matter, might care to stress the fact that Chiang Kai-shek is commander of an area which includes Indochina.

There is enclosed for your information and consideration a memorandum prepared under date February 4 by an officer of this Department¹⁵ on the subject "French Indochina: Political and Military Strategy: Certain Considerations".

The memorandum of the War Plans Divisions is returned herewith.

Sincerely yours,

CORDELL HULL

¹⁵ *Supra.*

EXCHANGE OF VIEWS BETWEEN GENERALISSIMO CHIANG KAI-SHEK AND PRESIDENT ROOSEVELT RE- GARDING SITUATION IN INDIA

[Following a visit by Generalissimo Chiang Kai-shek to India in February 1942, he communicated directly to President Roosevelt and also to the American Ambassador in China his views as to the critical political and military situation in India and the urgent need for British action to solve the political problem. He quoted instructions to the Chinese Ambassador in London to present these views to Prime Minister Churchill. On July 25, 1942, Generalissimo Chiang sent another urgent confidential message on the Indian situation to President Roosevelt urging that the United States should advise both Britain and India to seek a reasonable and satisfactory solution. President Roosevelt telegraphed the text of this message to Prime Minister Churchill, asking him for suggestions as to a reply. The Prime Minister replied that the British Government did not believe Chiang's estimate of the situation correct and expressed the desire that Chiang be persuaded to cease activities as to India and that Roosevelt should not permit pressure to be put on the British Government. President Roosevelt then informed Chiang of British opposition to suggestions from other members of the United Nations as to India and added that under the circumstances it would be wiser for Chiang and himself not to take the mediatory action Chiang, had proposed.

The correspondence referred to above is not printed in this volume but is reserved for publication with other papers regarding India in the regular annual volumes for 1942.]

EXCHANGE OF VIEWS BETWEEN THE UNITED STATES AND CHINA REGARDING THE FUTURE STATUS OF KOREA AND THE QUESTION OF RECOGNIZING A PROVISIONAL KOREAN GOVERNMENT

[In April 1942 the Chinese Government invited the attention of the United States Government to the existence of two rival Korean revolutionary parties operating in China, with adherents in the United States, and stated that it was considering promoting a fusion of these parties and granting recognition to a Korean provisional government. The views of the Government of the United States were requested.

On May 1 the American Ambassador in China was instructed to inform the Chinese Government that the United States Government had no immediate intention of recognizing any one Korean group in view of lack of unity existing among Korean groups and the probability that these groups had little association with the Korean population in Korea. The Ambassador was instructed, however, to add that the United States Government did not desire to stand in the way of the Chinese Government's taking any step which it considered wisest after full consideration and that the United States Government must also consider in its actions the possible effect on other free movements in the United States desiring formal recognition as governments. A memorandum by the Secretary of State to President Roosevelt preceding the sending of the above instruction indicated that the situation was complicated by the possibility of support by the Soviet Union of some other Korean group. On May 7 the Ambassador in China reported that after reconsideration the Chinese Government had postponed recognition at least until some more favorable moment.

The correspondence referred to above is not printed in this volume but is reserved for publication with other papers regarding Korea in the regular annual volumes for 1942.]

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