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1943

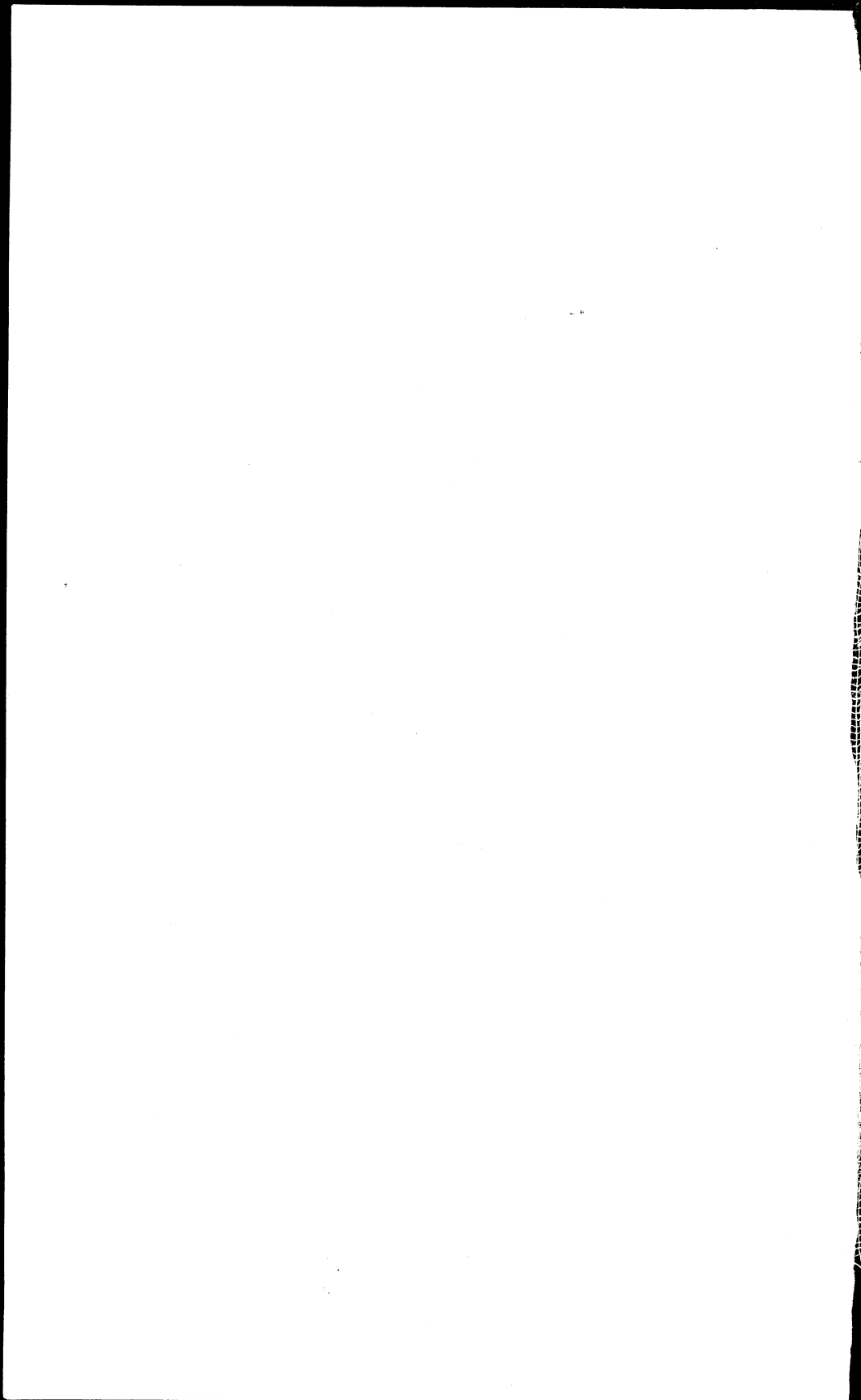
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Department of State
Washington





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PREFACE

The present volume of *Foreign Relations of the United States* is one of a special series of *Foreign Relations* volumes covering the relations of the United States with China for the years 1942 to 1949, inclusive.

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 1943 are discussed in narrative histories published or in preparation 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*, and *Stilwell's Command Problems*, by Charles F. Romanus and Riley Sunderland, published in 1953 and 1956, respectively, and *The Army Air Forces in World War II*, edited by W. F. Craven and J. L. Cate, Volume IV, published in 1950. 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. Nuermberger, by a research staff consisting of John G. Reid, Francis C. Prescott, Velma H. Cassidy, Herbert A. Fine, and Ralph R. Goodwin. The 1943 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, Bruce Buttles, 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

JANUARY 30, 1957.

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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

740.0011 Pacific War/3062 : Telegram

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

CHUNGKING, January 11, 1943—1 p. m.

[Received January 12—7:25 a. m.]

58. Chinese press in comment on Nanking puppet régime's declaration of war against United States and Great Britain terms it "a farcical performance." *National Herald*, "Foreign Office paper," views declaration as step of no benefit to Nanking régime taken by order of Japan; states puppets have no qualifications for declaration of war either from international or internal standpoint; believes Japan orders declaration because of weakening Japanese position in Pacific and consequent need for new development to report to Japanese people; and concludes with the statement that Nanking puppets are traitors who will be brought to book after war.

GAUSS

*President Roosevelt and Prime Minister Churchill to
Generalissimo Chiang Kai-shek* ²

[CASABLANCA, January 25, 1943.]

| We have been meeting in North Africa with our Chiefs of Staff,³ to plan our offensives and strategy for 1943. The vital importance of aiding China has filled our minds. | General Arnold, the Commander of the U. S. Air Force, is already on his way to see you. We have decided that Chennault ⁴ should be reinforced at once in order that you may strike not only at vital shipping routes but at Japan herself. Arnold carries to you our best judgment as to Burma. He will also advise you about our expanding operations in the South West Pacific

¹ Continued from *Foreign Relations*, 1942, China, pp. 1-190.

² Copy of telegram obtained from the Franklin D. Roosevelt Library, Hyde Park, New York. Notation at end of text: "O.K. F.D.R. I concur. W.S.C."

³ The records of the Casablanca Conference are scheduled for publication in a subsequent volume of *Foreign Relations*.

⁴ Brig. Gen. Claire L. Chennault, commanding United States Air Task Force in China.

and our developing offensive against Germany and Italy which will follow promptly after the destruction of the Axis forces in Tunisia. We have great confidence in the 1943 offensives of the United Nations and want to assure you that we intend with your co-operation to keep the pressure on Japan at an ever increasing tempo.

740.0011 European War 1939/27514 : Telegram

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

CHUNGKING, January 27, 1943—5 p. m.

[Received January 27—1:44 p. m.]

148. A message from our Embassy [in] London received last night stated joint message from President and Churchill for Generalissimo⁵ was being communicated through British Ambassador^{5a} with whom by President's direction I should arrange for immediate joint delivery.⁶ Message was not received by my British colleague until this morning and we made joint delivery shortly after noon. Generalissimo asked us to convey his thanks respectively to President and Churchill. He made no comment. Foreign Minister^{6a} who was present said that undoubtedly Generalissimo's reply would go forward later.

GAUSS

893.00/14961

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

No. 921

CHUNGKING, February 3, 1943.

[Received March 8.]

SIR: I have the honor to enclose for the information of the Department a copy (in English translation⁷) of an editorial as published in the *Ta Kung Pao (L'Impartial)* of January 27, 1943, on the subject "Discard Old Antiquated and Outdated Concepts and Establish the New Sincere Unified Military Strategy", discussing the present political orientation of China.

The writer of the editorial, basing his observations on recent comment made in *The Nation* (New York), states that it is to be considered that people who believe that the United States and Great Britain should refrain from giving all-out aid to China lest it become an aggressor nation or turn Fascist after the war are still obsessed by

⁵ Telegram of January 25, *supra*.

^{5a} Sir Horace James Seymour.

⁶ See communiqué of January 26, Department of State *Bulletin*, January 30, 1943, p. 93.

^{6a} T. V. Soong.

⁷ Not printed.

outdated concepts of the age of imperialism. China, it is stated, which has fought the longest and sacrificed the most in the present war, is entitled to demand a strategy which would support the carrying on of a decisive war and lead to a decisive victory. In that connection, the writer observes, it is necessary that there be neither underestimation nor overestimation of Japan.

There would seem to be little danger that China will become within the visible future an aggressive Fascist nation. However, without doubting the sincerity of the belief expressed in the *Ta Kung Pao* that China will become a republic along the democratic lines laid down in general terms in the Three People's Principles (San Min Chu Yi) of Dr. Sun Yat-sen, the Kuomintang leadership at present shows little promise of putting those principles into effect. The Kuomintang, in fact, gives every evidence of intention to perpetuate its present one-party control of the country. Consequently, the prospect is that, unless liberalizing elements gain the ascendancy in the government, either internal unity will be destroyed in the clash between the dominating Kuomintang and opposing forces or Fascist-like domination will continue to the detriment of aspirations for the development in China of a democratic political and economic system.

Respectfully yours,

C. E. GAUSS

893.44 Chiang Kai-shek/44

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

[WASHINGTON,] February 9, 1943.

Dr. Liu Chieh, Minister Counselor of the Chinese Embassy, called this afternoon at his request. Dr. Liu stated that he had returned today from New York and that he wished to call and inform us that Madame Chiang Kai-shek would be coming to Washington shortly.⁸ In further comment, Dr. Liu said that he thought Madame Chiang would arrive here sometime after the middle of the month probably about the 20th. Dr. Liu stated further that Madame Chiang would be in Washington for about a week; that arrangements for her visit had, he understood, been made with Madame Chiang directly by the White House; and that these arrangements included the question of arranging for Madame Chiang's trip to Washington.

Dr. Liu said that he had called on Mr. Summerlin and Mr. Woodward⁹ to discuss various matters of protocol connected with Madame Chiang's visit.

⁸ For information concerning visit of Mme. Chiang, see Department of State *Bulletin*, February 20, 1943, p. 165.

⁹ George Thomas Summerlin and Stanley Woodward, Chief and Assistant Chief, respectively, of the Division of Protocol.

Dr. Liu referred to the fact that Madame Chiang had received a great many requests to make addresses at various places in this country; that arrangements relating to Madame Chiang's time in New York after she left the hospital had been placed in the hands of an American committee there; and that Madame Chiang was to make a public address in Madison Square Garden on March 2.

With regard to the invitations which Madame Chiang had received to make addresses in Washington, Dr. Liu said that Madame Chiang had it in mind to make only one address while here.¹⁰

Dr. Liu stated further that Madame Chiang would make a visit to Chicago and then to the West Coast and contemplated making one public address in each of a few of the larger cities. Dr. Liu said that Madame Chiang planned not to make a great number of public speeches but to keep such speeches to a small number.

I told Dr. Liu that we wished him and the Embassy to feel free to come to us at any time with any question relating to Madame Chiang's visit; and that we all desired to be of the utmost helpfulness.

Dr. Liu expressed appreciation and said that if there came to our knowledge particulars as to the arrangements made by the White House with regard to Madame Chiang's visit in Washington, he would appreciate it if we would pass this information on to the Embassy as it would be helpful to the Embassy in making its plans. I said that we would be very glad to keep this in mind.

893.24/1544

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

[WASHINGTON,] February 11, 1943.

There has recently been a noticeable increase in the number of suggestions from Chinese sources that China might in the not too distant future, lacking greater military aid from the United States, cease to be an active belligerent.

Some of these suggestions have emphasized China's fear of Russia; others, suspicion of the ultimate intentions of the United States and Great Britain with respect to the Far East. Some have included the "possibility" that China might make some kind of "peace" with Japan.

These suggestions may reflect (a) a serious growth of depression and "defeatism" on the part of some Chinese spokesmen and some Chinese leaders; and possibly, (b) intensification of a campaign

¹⁰ Madame Chiang Kai-shek addressed the Senate and the House of Representatives on February 18, 1943; for texts of speeches, see *Congressional Record*, vol. 89, pt. 1, pp. 1080-1081, 1108-1109.

(perhaps having connection with the visit to this country of Madame Chiang Kai-shek) to bring strong pressure upon the President and his chief political and military advisers to effect immediate and greatly increased military aid to China. That is, Chinese leaders may already have fallen farther than has been realized into a mood of depression and/or have conceived a campaign of pressure upon us as a means of alleviating the psychological, the economic and the military situation in China.

I

The situation of China is without doubt critical in many ways. Notwithstanding the extraordinary amount of financial assistance which we have rendered to China, the country's finances are admittedly in a precarious position which is steadily getting worse. Practically no consumer goods are entering China. The inflationary process is also aggravated by deficient internal transportation and by hoarding of and speculation in foodstuffs and other commodities. Wholesale and retail price indices have risen in Chungking approximately 7,000 percent of those prevailing in 1937 and the Chinese dollar has depreciated to a value on the black market of one cent or less United States currency. The situation has seemingly reached a point where the provision of financial aid to China offers no solution. Restoration of China's land routes to the outside world to an extent sufficient to enable the importation into China of substantially increased quantities of consumer goods in addition to military supplies would seem to be essential if the present inflationary tendency is to be counteracted. Reopening an important land route to the outside world would not only furnish some purely economic alleviation of China's economic ills but would also increase public confidence in Chinese Government currency and in China's economy in general and thus exert a very healthy and beneficial influence.

II

While the most active phases of the Sino-Japanese hostilities ended some two and one-half years ago, the Chinese since that time (a) have in general held their lines against the Japanese forces in China while the latter have been intent upon consolidating their position rather than advancing farther westward, and (b) have simultaneously contained some 600,000 out of approximately 2,250,000 troops. (China has, of course, contributed to the war effort in a number of other ways: for example, China's continuation in the war against Japan has held open to the United States the possibility of utilizing air bases in east China for a direct attack upon Japan and the fact that China has not

been conquered has contributed to a continuing loss of Japanese prestige and Japanese morale and a continuing drain upon Japan's military strength.) Nevertheless, while the Chinese have some two million and a half troops in the field, only a comparatively small portion of these troops is adequately armed, not a single division is understood to have sufficient light and heavy artillery, and air support has been practically nonexistent except for the American Volunteer Group which operated largely in Burma and the more recent operations in China of United States air units. In these circumstances it cannot be assumed that, if China is not given general military assistance on a considerable scale, it will be possible for the Chinese armies to continue indefinitely to contain the Japanese forces, especially if the latter should undertake concerted effort to advance. Furthermore, as no one can say how long the war will last, it would obviously be a grave mistake not to make effort, by way of assisting the Chinese, to keep open the possibility of using China's potentialities, including potential air bases in Chekiang and other coastal areas, for the future large-scale offensive against Japan.

III

There are a number of unfortunate aspects in the political situation in China. Maneuverings by various cliques and factions in the Government are, it is believed, unimportant from the point of view of Chiang Kai-shek's position (in as much as none of them appears to be directed against Chiang) and from the point of view of bringing about an increased likelihood of China's withdrawing from the war. But if Chiang should be eliminated by serious illness or death there is a strong possibility that the Chinese Government would fall apart.

There is the continuing dissension between the Kuomintang (including Chiang Kai-shek) and the Chinese Communists. It is not believed there is probability at present or in the near future of an outbreak of open civil war as a result of this dissension; latest information is to the effect that Chiang is sensible of the dangers in the situation and will refrain from taking such repressive measures as might lead to open civil war. Meantime, the Communist armies are practically immobilized from action against the Japanese, and considerable bodies of Central Government troops stationed at various places as checks against the Communists are similarly immobilized. As for the future, unforeseen circumstances may cause the Government's attitude of restraint to change.

A new development in the political situation was the Nanking regime's recent declaration of war upon the United States and Great Britain. It is too early to attempt to predict what the full results

of this action will be. Japanese radio announcements that the Nanking regime would now recruit large numbers of Chinese troops suggest that the Japanese may plan the development of active civil war in China or the replacement of a certain number of Japanese garrison troops by Chinese troops. While the Japanese have utilized puppet troops to some extent, this has not yet become an important factor but if it continues on an expanding scale it will, of course, tend to weaken China's situation and may eventually have serious results.

Since the outbreak of the Sino-Japanese hostilities and before, there has been in Chinese Government and other influential circles a number of individuals, not organized in a group, who, for a variety of reasons, might under some circumstances not be averse to some "peace" arrangement with Japan. For instance, some banking groups and prominent businessmen whose interests have been centered in financial and commercial marts such as Shanghai, are naturally war-weary and may have leanings toward "peace". If Chiang should be eliminated, or if China's economic situation should become so desperate as to cause a currency collapse, such uncrystallized elements could be expected to exert influence in regard to any question of continuing or discontinuing the war.

IV

Chinese morale is adversely affected not only by the lack of military aid furnished China but by diversions of aid allocated and failure on our part to fulfil promises of aid. Chinese resentment toward the British (which is severe) tends to turn, at least indirectly, toward the United States because the United States and Great Britain are so closely allied in the formulation of global strategy.

Chinese disappointment and resentment have been reflected in a number of ways. One new development, which should not be overlooked, is the apparent growth in northwest China of an obvious anti-foreignism. While this may not be directly related to the feeling of the Chinese that they have not been fairly dealt with by their allies, it is probably a result of a nationalistic spirit which has relation to China's position as a victim of aggression and an important member of the United Nations that has not—in Chinese eyes—been given appropriate concrete recognition by China's allies.

There has been much publicity to the effect that China is one of the "Big Four" of the United Nations. Some Chinese believe that China is not actually so considered or treated and as a result thereof are disappointed and resentful. They do not give weight to the facts that, with the exception of Great Britain and Canada, China has substantially the same representation in agencies of the United Nations as has any other country; that China while legally at war with Germany

is not in position to engage therein; and that China from point of view of production of war materials must be largely a recipient from rather than a contributor to other countries. The Chinese who are thus disappointed realize that China is represented in or has liaison with only three existing international commissions, committees, boards, et cetera in Washington concerned with the war: liaison (believed to be limited) with the Combined Chiefs of Staff; membership in the Pacific War Council; and membership in the United Nations Information Board. They realize that out of the vast quantity of Lend-Lease supplies furnished other countries China's share is less than two percent. These same Chinese are also aware that, despite their high hopes, China's position after the entry of the United States and Great Britain in the war in the Far East has up to the present time substantially deteriorated rather than been bettered.

While some Chinese leaders appear to give willing lip service to the theory that Germany must be crushed before Japan, they are acutely conscious that aid flowing to China is on a proportionate basis very small.

V

Chinese suspicion of the ultimate intentions of the United States with respect to the war in the Far East appear to be based upon various considerations: (*a*) The emphasis placed by the United States and Great Britain on crushing Germany before Japan; (*b*) the lack of material aid to China to enable Chinese troops to fight the Japanese more effectively; (*c*) the tendency of our war effort in the Pacific to comprise a "holding" war and a war of attrition upon Japanese naval and air forces rather than the recapture of Burma with a view to progressively driving the Japanese in China to the seacoast and attacking Japan proper from China; (*d*) the fact that official statements made by the United States regarding post-war aims and policies in the Pacific area have not been made more explicit; (*e*) a latent fear that the United States may eventually grow tired of the distant war in the Pacific and eventually be willing to enter into a negotiated peace with Japan. (Incidentally, some observers think that the Japanese cling to a belief along these latter lines.)

Chinese suspicion of Russia is believed to be based, in part, upon fear, some of which has foundation in Russia's past acts and present attitude toward Japan, and consequent speculation. Russia's continuing caution in respect to her relations with Japan causes apprehension that Russia, if the latter should see advantage in so doing, might make a deal with Japan at China's expense. On the other hand, some Chinese are apprehensive that in due course Russia and Japan will become involved in war and Russia will demand, when Japan is de-

feated, paramount influence in or control—direct or indirect—over Manchuria and Korea.

VI

In summary, the economic and psychological situation in China is already critical and is deteriorating. The internal political situation holds possibilities of future danger to China's unity and to indefinite continuation in the war effort. The military situation, while unsatisfactory from the point of view of offensive action against the Japanese, continues to be advantageous to the United Nations in that Chinese troops are in general holding their lines and are thus effectively containing large Japanese forces, and in addition, there is being held open for the future the possibility of offensive action on and from Chinese territory by China and the other United Nations against Japan. On the other hand, the Chinese are becoming increasingly disappointed and resentful of the lack of military aid; some Chinese spokesmen are beginning to talk of the possibility that China may not long continue to be an active belligerent; and there is question whether the Chinese will, without substantial military aid, indefinitely continue active resistance to Japan.

The primary need in reference to the China situation is that China be given more military aid, either by augmenting the American air force and other American forces there or by furnishing increased material for use of Chinese armies, or both. In addition, it is believed we should do everything possible in the psychological and political fields to engender in the Chinese a feeling that they are full partners with us and the other United Nations—to the end that China will move along with the rest of the United Nations in maintaining and increasing the common war efforts against the Japanese.

M[AXWELL] M. H[AMILTON]

*The Adviser on Political Relations (Hornbeck) to the Secretary of State*¹¹

[WASHINGTON,] February 18, 1943.

MR. SECRETARY: In anticipation of your conversation with the President:

Probably the most important subject that calls for consideration at this time in connection with Far Eastern matters is that of giving concrete evidence of this country's intention and capacity to deliver in China materials of war. This is important because it has a definite bearing on the problem of keeping China actively in line as a fighting member of the United Nations group. That is a political question.

¹¹ Copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

It is important now because the American people and the American Congress (to say nothing of the Chinese) are becoming increasingly worried, impatient and insistent about it. That is a political matter. It is especially important at just this moment because of the presence of Madame Chiang as a guest of the President and Mrs. Roosevelt and because of the probability that Dr. T. V. Soong will arrive here in the very near future. Those also are matters of political, important political import.

S[TANLEY] K. H[ORNBECK]

[Annex]

[WASHINGTON,] February 18, 1943.

Toward delivering in China materials of war, the thing that would probably be at this time easiest of execution physically would be to send additional transport planes, with cargoes of machine guns, other equipment, and ammunition. Next easiest would be the sending of additional bomber planes. Third easiest would be the sending of additional fighter planes, and spare parts, miscellaneous equipment and ammunition—for the reinforcing of the U. S. A. A. F. which is under the command of General Chennault.

Something ought to be done, also, toward straightening out the rivalry and confusion which appears to exist among the higher command personnel of the American armed forces operating in the Assam-China theater. If the President is not familiar with the details of that situation, it might be helpful were he to call for a complete and objective report on the subject.

893.20/773 : Telegram

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

CHUNGKING, February 18, 1943—1 p. m.

[Received 5:28 p. m.]

242. Embassy has learned that British are sending to China a group of five officers headed by a Vice Air Marshal (Major General) to instruct Chinese aviators in the air training school at Chengtu in tactics as distinguished from flight training. The group now en route is expected in China soon. It is understood that Chinese first approached us for such instructors and accepted British instructors only after they had been informed that we could not comply.

There have been until recently several hundred British air ground crew personnel in Chengtu but this number has now been reduced radically by transfer from China. Personnel originally evacuated to China after fall of Burma.

British Ambassador and Military Attaché are visiting Chengtu next week. Air Attaché preceded them last week.

GAUSS

711.93/524

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] February 25, 1943.

The Chinese Foreign Minister, Dr. T. V. Soong, called at his request. I welcomed him back from his protracted visit to Chungking and proceeded to tell him what a marvelous impression his sister, Madame Chiang Kai-shek, had made on everyone in this country.

I then referred to the conclusion of the negotiations on extra-territoriality¹² and thanked him for his fine aid in the matter at the other end of the line. He replied with many expressions of gratitude at our course. He said that the abandonment of extraterritoriality practices could not have been accomplished without the leadership of this Government and that our British friends were a little less enthusiastic about such matters than the United States.

I referred to the deep and constant interest the State Department has taken in its efforts to cooperate with the Chinese Government in securing military and other supplies from this country. He said he was aware of this and was most appreciative. I then suggested that he give the State Department copies of his lists of requested supplies which he presents to the appropriate departments of the Government in order that we might be of more effective assistance.

I inquired about economic, financial and military conditions in China. He said he would like to go into these matters at some length when I return from my vacation.

The Foreign Minister added that Japan seemed to be poisoning herself for an important movement of some kind and that, taking all the circumstances and facts into consideration, he was inclined to believe that it was intended more against China than against any other power.

I said to Dr. Soong that a person now and then would inquire of me as to Russia's intentions after the war, both in the East and in the West. The Foreign Minister replied that Russia was saying nothing in this connection so far as he was aware (this evidently means to other Chinese Government officials). I added that now and then someone would inquire about Russia's possible intentions toward Korea. He promptly replied that he did not know about this, that he only knew China's intentions which were opposed to

¹² See bracketed note, p. 690.

taking over new territory, whether it be Korea, Burma, Indochina or other outlying areas. He said that his Government saw eye to eye with this Government on the question of annexing territory and is dead against it.

I briefly reviewed for Dr. Soong's information the high points in our relations with Japan during the one or two years leading up to the attack on Pearl Harbor, including the constant requests of the British, the Australians, the Dutch and our own Army and Navy heads that we at the State Department and the White House not allow ourselves to be drawn into a war with Japan until it was absolutely necessary for the reason that all of them said they were not ready. I also reminded the Foreign Minister of many of the factual phases of that long period of conversations with Japan which I had conducted.¹³ He seemed very appreciative and expressed himself as most pleased to get the benefit of certain of these vital points which were not conspicuous at the time. He said that the State Department stood one hundred percent high with everyone wherever he had been.

I reminded Dr. Soong that we set forth almost all of the principles at Montevideo¹⁴ on which the whole good neighbor policy had been developed, especially to such a striking degree in this hemisphere, and that the recent extraterritoriality treaty with China had been planned by this Government for the past two or three years, as a part and parcel of the good neighbor policy launched at Montevideo, but that on account of conditions prevailing as a result of the Chinese and Japanese conflict it had been difficult to bring our Marines out of Shanghai, Peking and Nanking. The Foreign Minister seemed greatly interested in this information.

C[ORDELL] H[ULL]

123G231/593 : Telegram

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

WASHINGTON, February 26, 1943—5 p. m.

280. You are instructed proceed Department for consultation. Transportation expenses and per diem from Chungking to Washington and return authorized subject to Travel Regulations including per diem while in Department subject to Note 15a of Accounts Supplement E, chargeable "Transportation Foreign Service". Travel by air authorized.

Department assumes you will be able arrange priority from Chungking and upon receipt of word from you will be glad to take matter up with War Department here if desired.

¹³ See *Foreign Relations*, 1941, vol. iv, pp. 1 ff.

¹⁴ Seventh International Conference of American States held at Montevideo, December 3-26, 1933. See *ibid.*, 1933, vol. iv, pp. 1 ff.

If you depart before arrival Vincent's¹⁵ successor¹⁶ you should turn charge of office over to Vincent. Before making final arrangements for departure you should inform Generalissimo Chiang Kai-shek and the acting Minister for Foreign Affairs in confidence of your contemplated plans, mentioning in this connection the fact that you have not been in the United States since this country entered the war. Please telegraph Department after you have informed the Chinese of your plans. In event Chinese raise no objection in connection with your plans you are authorized to let it be known informally that you have been instructed to proceed United States for consultation.

BERLE

740.0011 Pacific War/3132 : Telegram

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

CHUNGKING, February 27, 1943.

[Received February 27—10:45 a. m.]

293. Following is summary of broadcast made by Generalissimo Chiang Kai-shek to armed forces and people of Thailand February 26.

Since the signing of treaty of alliance between Thailand and Japan, I have not spoken to you because I realized your difficulties and knew your circumstances to be not unlike those of China before we resisted Japan in 1937. Now circumstances have changed, the Axis powers are being forced to take the defensive, the day for you to save your country is drawing near and I desire to speak to you frankly in order to show China's feeling toward you.

Chinese friendship for Thailand is based on historical background, upon 3 million compatriots living in Thailand and upon Chinese realization that Japanese-Thai alliance was not expression of free will of Thai soldiers and people. China's faith as nation is based upon Three People's Principles which call for freedom and equality for all nations. China signed United Nations Declaration^{16a} with this faith. I can give my solemn word that China as well as her Allies have no territorial ambitions in Thailand and harbor no intentions of undermining her sovereignty and independence. China's war policy is to crush the Japanese war machine and Thailand is considered as enemy occupied territory under that policy, not as enemy country. Thai army and people should, therefore, cooperate with China to expel enemy from both countries. We earnestly expect you now to do your duty promptly for salvation of your country and whole world and we hope you will regain international confidence your

¹⁵ John Carter Vincent, Counselor of Embassy in China, transferred to the Department.

¹⁶ George Atcheson, Jr., formerly Assistant Chief of the Division of Far Eastern Affairs.

^{16a} United Nations Declaration, January 1, 1942, Department of State Executive Agreement Series No. 236, or 55 Stat. 1600.

country once enjoyed and achieve right to speak for your country in post-war family of nations.

GAUSS

790.00/5

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton)*¹⁷

[WASHINGTON,] February 27, 1943.

FAR EASTERN MATTERS INVOLVING RELATIONS BETWEEN THE UNITED STATES AND GREAT BRITAIN

1. *The Situation in India.*

Without offering any comment as to the merits of the Indian situation and how best to deal with it, Chiang Kai-shek and the Chinese Government naturally view the Indian situation with serious concern. If the situation there disintegrates, China will regard that development, first, as an evidence of failure of British leadership and, second, as an evidence of disinclination or inability on the part of the United States Government to press upon the British Government the views of the American public. This is simply an objective statement of how the Chinese would regard any such development. It is obvious that such Chinese reaction to such a contingency would be seriously harmful to the cause of the United Nations.

2. *The Burma Campaign.*

a. The Chinese Government sets great store on the retaking of Burma by United Nations forces. If the situation in India disintegrates, the effect on the Burma campaign may be disastrous.

b. The Burma campaign, to be successful militarily and politically, should be a campaign carried out by the joint efforts of the British, the Americans and the Chinese. Every effort should be put forth to make the campaign such a three-cornered partnership. If any one of the three logical partners should drop out or not make its maximum contribution the common cause of the United Nations in the Far East would suffer.

3. *The Place of China in the United Nations War Effort.*

a. China's continuance as an active belligerent on the side of the United Nations is the best insurance that the present war not become a race war. This is extremely important not only for the present but for the long future as well.

¹⁷ On March 12, 1943, Mr. Hamilton submitted this memorandum to the Under Secretary of State (Welles) with this comment: "It is suggested that you may find some of the observations made in this memorandum of interest in conversations with Mr. Eden." Anthony Eden was British Secretary of State for Foreign Affairs.

b. There are many indications that a substantial number of articulate and influential Chinese feel that the war is being conducted as an American-British affair. Toward remedying this situation it is believed important that greater efforts be made in various fields to cause the Chinese to realize that they are full and important partners in the common war effort.

4. *Victory against Japan Should Be a Common Victory.*

It is important that the victory achieved by the United Nations against Japan should be a common victory and not a victory achieved by any one of the United Nations. Future peace and stability in the Far East depend to a large measure as in other areas of the world on cooperative relationships among nations based upon liberal, progressive principles. Should China alone be chiefly responsible for victory against Japan, the tendency would be for China to adopt individualistic, nationalistic policies rather than cooperative, broad-gauge policies. Should the United States be chiefly responsible for victory against Japan, similar results might be anticipated. Should Great Britain be chiefly responsible, similar results might be anticipated. Should the Soviet Union join the war against Japan and be chiefly responsible for victory against Japan, similar results might be anticipated. It is thus highly important that the general situation relating to conduct of the war against Japan be not permitted to develop in such a way that Japan's defeat be accomplished by the effort of one alone of the United Nations. Victory over Japan should come from a common effort, each country contributing its maximum.

M[AXWELL] M. H[AMILTON]

893.00/14985

Memorandum of Conversation, by the Ambassador in China (Gauss)¹⁸

[CHUNGKING,] March 3, 1943.

At dinner last evening with the Generalissimo, I informed him that I had received a message from Washington asking me to come home for consultation, and commented that I had not been in the United States since my country had entered the war and it seemed desirable therefore that I get into personal contact with the Government.

Generalissimo Chiang expressed interest and asked me when I would be leaving. I replied that I had not yet made definite arrangements and that I did not feel that I could do so until I had his permission to leave. He acknowledged the courtesy, and interposed no objection to my leaving.

¹⁸ Copy transmitted to the Department by the Ambassador in China in his covering despatch No. 978, March 4; received April 16.

During the course of our conversation throughout dinner he asked me to convey his respects to the President, and to Mr. Hull and Mr. Welles. He asked me particularly to say to Mr. Hull and Mr. Welles that he deeply and sincerely appreciated their friendly attitude toward China and their desire to place relations between the United States and China on a basis of equality and reciprocity; and he appreciated the speed with which steps were taken to give effect to that desire in the negotiation of the recent treaty.

The Generalissimo also during the conversation referred to Ambassador Grew and his "Report from Tokyo". He said that he admired Ambassador Grew and he wished me when I saw Mr. Grew to express to him that admiration.

I referred in courteous commendation to the Generalissimo's recent message to Thailand.¹⁹ He was pleased; and said that I might report to Mr. Hull that the Thai troops have been in contact with the Chinese and have said that they do not intend to fight the Chinese; when the time comes they will be on China's side. I commented that I wondered whether the same would not hold true for example as to the Koreans that the Japanese are recruiting and the Manchurian troops (I refrained from referring to the Wang Ching-wei puppet troops); that at the proper moment they would turn against the Japanese. The Generalissimo agreed.

Speaking of Japanese-Russian relations, I sounded out the Generalissimo as to whether he believed that Japan was still likely to attack Russia, saying that we have heard of course, as had he, that Germany has been urging Japan to attack in Siberia. The Generalissimo said that he still believed that such an attack might be made; and in reply to my inquiry as to whether Japan has sufficient reserve strength to give to an offensive against Russia the Generalissimo said that he believed that Japan has sufficient reserve strength; he agreed however that it would be a fatal move on the part of Japan and said it would shorten the war.

He then made the comment that Russia likely would have been in the war against Japan before this if there had been closer cooperation politically among the United Nations. He felt, he said, that there should be closer political cooperation. I asked whether the Pacific war council at Washington did not give opportunity for exchange of views on these subjects. He admitted that it did give some opportunity.

Speaking of Madame Chiang's visit to the United States, the Generalissimo asked me to express his appreciation of the cordiality of her reception, etc., etc. He commented that he was concerned as to Madame Chiang's health; whether the demands on her were not too

¹⁹ See telegram No. 293, February 27, from the Ambassador in China, p. 13.

heavy. I laughingly commented that the Americans are very much like the Chinese toward their visitors; they welcome them strenuously, and sometimes the programs are too extensive; Madame Chiang should not accept invitations beyond her strength and should be firm in declining too heavy a burden.

When I took leave of the Generalissimo, he expressed the hope that I would return to Chungking soon.

C[LARENCE] E. G[AUSS]

740.0011 Pacific War/3144½

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton)*²⁰

[WASHINGTON,] March 5, 1943.

China is now represented on only two important United Nations organizations—(1) Pacific War Council, (2) United Nations Information Board. China also has limited liaison with the Combined Chiefs of Staff. The Chinese Military Attaché maintains an office in the Combined Chiefs of Staff Building and participates in some meetings of a general character.

The Pacific War Council is devoted almost entirely to an informal exchange of views and information among the persons participating in the meetings. The President usually reports on events of interest to those present. The United Nations Information Board is not an organization concerned with the day-by-day conduct of psychological warfare and is of relatively small importance in the general picture.

Among the more important organizations established by the United Nations to deal with various phases of the war there may be listed the following:

[Here follows list of 26 United Nations organizations, together with "purpose" and "nations represented." For a similar list, see Department of State *Bulletin*, January 16, 1943, pages 66-78.]

From a study of the foregoing organizations there emerges plainly the fact that in all of the more important organizations the United States and Great Britain have almost exclusive representation, with the exception of those organizations primarily devoted to problems involving this hemisphere. At the same time, a study of the purposes of these organizations makes clear that such membership is founded on good reasons. The United States and Great Britain have the most to give and are giving the most in regard to the supplies dealt with in most of the committees or organizations. Nevertheless, it remains

²⁰ Submitted on March 6 to the Under Secretary of State (Welles) and Assistant Secretaries (Berle and Acheson).

obvious that China is not represented on joint organizations to handle problems in connection with the war in the Far East.

There is considerable evidence to indicate that important sections of Chinese opinion both official and private regard the strategic planning and conduct of the war of the United Nations against the Axis countries as an American-British operation. This feeling is detrimental to the cooperative efforts of the United States and China against Japan. If allowed to continue it may become dangerous. Persons in China holding the conviction that war strategy is now purely Anglo-American feel strongly that China should be accepted as an "equal partner". In support of this contention they cite China's past contributions and China's future potentialities. Such persons argue that strategy against the enemy Japan cannot be plotted and be executed to maximum advantage unless full use is made of the resources and experience of each country at war with Japan. In the light of China's geographical position, vast manpower and what they regard as China's war potential, they feel that China deserves to be represented on and heard in the highest councils.

There is growing evidence that the views outlined in the foregoing paragraph are coming to be accepted by an increasing number of members of Congress and private persons in this country.

The role which China and Chinese manpower and resources is to play in the crushing of Japan is primarily a military problem to be decided by competent military authorities. The time at which comprehensive staff discussions and planning between the highest military authorities of all forces which are to participate in the offensive drive against Japan should occur is also a matter to be decided by the competent military authorities. There are, however, important political considerations affecting not only present relations between the United States and China but also the long future of American relations with and American interests in countries of the Pacific area which make it important that prompt consideration be given to the question of bringing about on the part of China a feeling of partnership in the war of the United Nations against the Axis countries. One method might be to take the necessary steps to bring about more active participation by China in United Nations organizations at the earliest possible date.

It is suggested, therefore, that our thought should be directed constantly and intensively toward establishing at the earliest practicable time such organizations as may be desirable and feasible (1) to convince the Chinese of their increasing participation in war planning and execution of operations and (2) to contribute to the achievement of United States policy in the Pacific designed, first, totally to defeat

the enemy in the shortest possible time and, second, to create conditions of long-range stability and orderly evolution in the Pacific area. Membership in such organizations, some of which might sit in Chungking and some in Washington, might include representatives of the United States and China and such others of the United Nations as might be desired both by the United States and China.

Chinese membership on many existing organizations might not be desirable or feasible. It is felt, however, that much good might be accomplished by the creation of new organizations in some instances similar in scope and purpose to existing organizations devoted to like problems in areas other than China and the Far East. In this connection, reference is made to the existing organizations listed above.

For example, there might now be established to advantage a Pacific Intelligence Board which would (1) take over the functions of the United Nations Information Board as they may pertain to the Pacific, (2) establish close cooperation between the United States and China in the gathering, exchange and dissemination of all forms of military, economic and political intelligence with respect to the Pacific area, and (3) develop and put into operation a well-coordinated program of psychological warfare against Japan. Some may argue that establishment of an organization of this nature would be undesirable for the reasons that such a board might tend to color intelligence information, that Chinese information services are biased and not objective, and that in psychological warfare China might press strongly for overemphasis on freedom and independence for non-self-governing peoples in the Pacific area, including areas under the sovereignty of other United Nations. It is submitted, nevertheless, that in addition to the psychological advantages—such as stimulation of China's sense of participation and responsibility and enhancement of the United Nations' cause in the eyes of the peoples of the Pacific area—the establishment of an organization of this sort could produce practical results of material benefit to the war effort. The Chinese will continue their intelligence and psychological activities. These activities could be more readily tempered, coordinated and integrated with our own similar efforts through a board of this sort than could be accomplished through the present somewhat uncoordinated and individual programs. Establishment of such a board would not, meanwhile, interfere in any way with our present avenues of intelligence both in China and in nearby areas. Membership on a board of this sort would include representatives from the United States and China and such others of the United Nations as might be desirable. The activities of a board of this sort would coordinate and possibly merge

many of the activities of such organizations as BEW, OSS and OWI²¹ now being carried on in connection with the war against Japan.

Among other organizations which suggest themselves there may be noted the following:

(1) *Combined Chiefs of Staff for the Pacific*. Subject, of course, to final decision by the highest military authorities, there may well be established Combined Chiefs of Staff for military operations in the theaters of, first, China, Indochina and Thailand; second, India, Burma and Malaya; and possibly third, Australia, the Netherlands East Indies and the Philippines. At the present time Generalissimo Chiang Kai-shek is the United Nations' Commander-in-Chief in the first theater, General Wavell is the United Nations' Commander-in-Chief in the second theater, and General MacArthur is the United Nations' Commander-in-Chief in the third theater. General Stilwell, who is Chief of Staff to the Generalissimo in the latter's United Nations command, is also the Commanding General of all United States forces in India, Burma and China and the Commanding General of all United States forces in the "Asiatic theater". The creation of a Combined Chiefs of Staff for the Pacific would be designed to facilitate full coordination of all efforts in three adjacent theaters of war, in all of which operations against Japan are being conducted.

(2) *United States-China Supply Council*. There might be established an organization with representation from at least the United States and China similar in scope and purpose to the already established Allied Supply Council. The Allied Supply Council has United States and Australian membership and has the purpose "to coordinate plans and advise on supplies available from Australian sources". A council of the sort envisaged might well contribute to the solution of the difficult problem of supplies within China necessary for military operations. For example, something might be worked out to our mutual advantage in regard to transportation facilities, petroleum development, food stores, et cetera. At present these problems are dealt with separately by various Chinese organizations and by United States Army and other United States officials concerned.

(3) *Combined Production and Resources Board*. While at the moment the need for a board of this sort may not appear to be great, it is submitted that such an organization with possibly representatives from India sitting with United States and China representatives could go far to "complete the organizations needed for the most effective use of the combined resources" available from the United States, India and China in the prosecution of the war.

The creation of a board of this sort would have important psychological advantages in that it would include membership of both Indians and Chinese.

Such a board might also make significant practical contribution. The press has recently attributed to Mr. Stettinius, Lend-Lease Administrator, the prediction that Lend-Lease assistance to India would be "much more extended" for the reason that United States experts

²¹ Board of Economic Warfare, Office of Strategic Services, and Office of War Information, respectively.

believe that India, if properly developed, could supply the entire Burma-China-India front. In this connection, there was attributed to Dr. Henry F. Grady²² the statement that if India had the tools and its labor were trained, India could supply Burma and China as well as itself. India is now the second largest producer of iron ore in the British Empire. At the present time important numbers of military vehicles are being assembled in India, gliders are being manufactured and military airplanes are being repaired. Large-scale production of military uniforms will soon supply United States forces there and other production of important military supplies is being prepared.

(4) *Combined Raw Materials Board.* At the present time the United Nations, especially the United States, are receiving limited amounts of important raw materials from China. Information with regard to the availability of such materials and ways and means for their procurement, shipment and utilization are at present handled by several organizations both in this country and in China. On the part of the United States there are (1) Metals Reserve Company, handling all metals, (2) Defense Supplies Corporation, handling bristles, silk, et cetera, and (3) BEW, which has sent "shipping expeditors", mining experts, et cetera, to China. In China there are (1) National Resources Commission, handling all minerals, (2) semi-official Foo Shing Company, handling bristles, silk, et cetera, and (3) the China National Tea Company. The foregoing is not exhaustive of the list of governmental agencies and organizations involved. It is believed that creation of a China-United States Board to handle these problems would have beneficial psychological effect and might contribute to increased effectiveness in operations.

It has been suggested in various quarters that China be given a place on a supreme strategy board either to plot all United Nations strategy or at least that part of strategy determining operations against Japan.

There are arguments pro :

(1) Important political advantages might accrue from giving China such a position—the placing of China on such a board might go far to advance the United Nations' cause in the eyes of all Oriental and colored peoples and might placate China's feeling that she is being "left out of" decisions affecting prosecution of the war.

(2) Partly as a result of the foregoing and partly as a result of closer liaison with China such a step might make possible more use of China's experience and knowledge of Japan's war machine.

(3) The taking of this step might cause the Chinese more actively to engage the enemy in China and might assure the maximum use of China's geographic position, manpower and total war potential.

There are arguments contra :

(1) China is not participating and cannot be expected to participate in the war against Germany. Even against Japan present operations

²² Former Assistant Secretary of State; president of American President Lines Ltd.; head of American Technical Mission to India, March-May 1942.

of the United Nations are for the most part in areas removed from China.

(2) The creation of such a board with Chinese participation unless followed by development of strategic plans and reasonably early operations of a nature favored by China might serve only to heighten Chinese bitterness and resentment.

(3) Increasing the number of voices to be heard in plotting strategy for the war might result in delays, injudicious compromises and undesirable division of responsibility as well as in injurious recriminations.

To evaluate the arguments both pro and contra it is probably necessary to know whether operations against Japan are to be accelerated and expanded on a considerable scale in the relatively near future. If United States forces, with such assistance as might be available from other United Nations, are to undertake soon extensive operations against Japan, it would seem that the arguments pro are stronger than the arguments contra. If on the other hand the time is not yet ripe for operations of this sort, the arguments contra would seem to be stronger than the arguments pro. In this latter event the Chinese are bound to be disappointed whether or not they have membership on a board plotting grand strategy. The question resolves itself, therefore, primarily into a psychological one: whether the degree of disappointment on the part of the Chinese will be greater if they are present and must be told that operations of the nature which they desire are not feasible or if they are not present and subsequently observe that operations which they desire are not carried out. It is to be pointed out at the same time that highest decisions of grand strategy are for the most part made at personal meetings between such high leaders as President Roosevelt and Mr. Churchill, President Roosevelt and Mr. Molotov,²³ Mr. Churchill and Mr. Stalin,²⁴ and are not often made at meetings of persons of lesser rank.

Quite apart from the question of a new strategy board, it is believed that the political desiderata involved—including (1) China's present and post-war attitude, (2) the offsetting of racial animosities in the Far East and especially in India, and (3) the development of conditions conducive to stability and orderly evolution in the Pacific area—make it a matter of importance that steps be taken directed toward giving China a greater feeling of joint participation in the war against the Axis countries.

SUMMARY AND RECOMMENDATION

If the foregoing suggestions meet with approval, it is suggested that Mr. Welles at one of his regular liaison meetings with General

²³ V. M. Molotov, Soviet Commissar for Foreign Affairs.

²⁴ Iosif Vissarionovich Stalin, Chairman of the Council of Commissars (Premier) of the Soviet Union.

Marshall²⁵ and Admiral King²⁶ discuss with them the question of creating a Pacific Intelligence Board (see page 6 *supra*). Should General Marshall and Admiral King approve, this question might then be taken up with officials of BEW, OWI and OSS, and the project coordinated and put into shape for presentation to the Chinese Government.

It is suggested that Mr. Welles might also discuss with General Marshall and Admiral King the question of the possible creation of a Combined Chiefs of Staff for the Pacific (see page 7 *supra*).

If Mr. Welles approves, it is suggested that he ask Mr. Acheson to discuss with officials of BEW, Metals Reserve Company, Defense Supplies Corporation, and other interested agencies of this Government the question of the establishment of a United States-China Supply Council, a Combined Production and Resources Board, and a Combined Raw Materials Board (see pages 7-8 *supra*).

We believe that the steps which have been suggested would be helpful in achieving the broad-gauge political objectives of associating China more closely with our own war and post-war efforts, of offsetting racial animosities in the Far East and especially in India, and of developing conditions conducive to stability and orderly evolution in the Pacific area. We believe also that such steps would contribute measurably to the war effort.

M[AXWELL] M. H[AMILTON]

740.0011 Pacific War/8146

The Acting Secretary of State to President Roosevelt

WASHINGTON, March 6, 1943.

MY DEAR MR. PRESIDENT: In April and May of last year the Chinese Embassy here discussed with us the question of the issuance by Generalissimo Chiang Kai-shek of a statement in regard to Thailand. We made a few suggestions to the Embassy in regard to the proposed statement and also informed the Embassy that if General Chiang should issue the statement this Government would expect to take an informal occasion to make an appropriate supporting statement.

On February 26 there was broadcast a message from the Generalissimo to the "Soldiers and citizens of Thailand." A copy of the text of the broadcast, as given in the February 27 issue of the Chinese News Service, is attached.²⁷ On March 3 the Chinese Em-

²⁵ Gen. George C. Marshall, Chief of Staff, United States Army.

²⁶ Adm. Ernest J. King, Chief of Naval Operations.

²⁷ Not printed.

bassy here informally called to our attention the fact that the Generalissimo had made this statement.

In the light of the whole situation, it is believed that it would be generally helpful and that the Chinese Government would appreciate it if you could make a supporting statement at an early press conference. There is attached a draft statement²⁸ which you might care to use. It is suggested that your comment be in response to an inquiry from a correspondent as to whether you have any observations to offer on the statement made by Generalissimo Chiang Kai-shek to the Thai people.

Faithfully yours,

SUMNER WELLES

740.0011 Pacific War/3154½

*Memorandum by Mr. Max W. Bishop of the Division of Far Eastern Affairs*²⁹

[WASHINGTON,] March 8, 1943.

It is believed that, toward bringing about closer cooperation in the gathering, exchange, evaluation, and dissemination of intelligence data with respect to the Pacific area, and toward developing and putting into operation an adequately coordinated program of psychological warfare against Japan, and toward cultivation of mutual confidence among those of the Allied nations that have particular interest and concern in and regarding the Far East, substantial advantage might be derived from the establishing of a board or committee in the membership of which there would be included representatives as follows: United States, New Zealand, Australia, the Netherlands, China (and perhaps Great Britain, India, the Philippines, and France).

Arguments might be advanced to the effect that an organization of this nature would be undesirable for the reasons that such a board might tend to color intelligence information because of the bias and special interests of the various groups involved, that efforts might be made by some of the representatives to press strongly for overemphasis on freedom and independence for non-self-governing peoples in the Pacific area, including areas under the sovereignty of one or more of

²⁸ It read: "Proposed Statement—to be made orally and informally—not for quotation. The statement made by Generalissimo Chiang Kai-shek to the soldiers and citizens of Thailand is in accord with the principles of the Atlantic Charter of August 14, 1941, and of the Declaration by United Nations of January 1, 1942—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."

²⁹ Approved by the Chief of the Division (Hamilton).

the United Nations, and that it would be most difficult, if not impossible, to harmonize all the views held by the various representatives as a result of their individual interests. It is submitted, nevertheless, that the establishment of an organization of this sort would have important psychological advantages such as (1) abatement of the present feeling which many of these peoples hold strongly of being "left out of" the planning and execution of war activities; (2) stimulation of a sense of participation and responsibility on the part of the various peoples represented; (3) enhancement of the cause of the United Nations in the eyes of the peoples in the Pacific area. In addition, the establishment of such an organization might produce practical results of material benefit to the war effort. The various nations concerned will undoubtedly continue their present intelligence and psychological activities. These activities could, it is believed, be more readily tempered, coordinated and integrated, thus achieving maximum advantage, through a board of this sort than could be accomplished through the present somewhat uncoordinated and individual programs.

The creation of a board of this sort might bring together and possibly merge many of the activities of the various organizations now functioning under each of the governments involved in connection with the war against Japan.

We believe that the establishment of such a board would be helpful toward achieving broad-gauge political objectives of associating the countries primarily interested in the Pacific more closely in the common war effort, of off-setting racial animosities in the Pacific, and of developing conditions conducive to long-term stability and orderly evolution in the Pacific area. We believe also that a step of this nature would contribute measurably to the war effort.

893.20/781

*Memorandum by the Second Secretary of Embassy in China (Davies)
to the Ambassador in China (Gauss)*³⁰

[CHUNGKING,] March 9, 1943.

THE STILWELL MISSION

General Stilwell came to China in February 1942 with a directive from the President to keep China in the war and to do everything possible to increase China's military contribution to the joint struggle against the Axis.

A fundamental difficulty which faces General Stilwell is that China's policy in the prosecution of this war is not always parallel to ours.

³⁰ Copy transmitted to the Department by the Chargé in China (Vincent) in his covering despatch No. 990, March 10; received April 16.

All informed Chinese are keenly aware that of the four principal members of the United Nations, China has suffered the longest and the greatest in this conflict. Furthermore like the Russians and the British, the Chinese have a more highly developed political sense than we. Political considerations loom larger in their evaluation of situations (including the military situation) than they do for even the Russians and the British.

Acutely aware of their relative military exhaustion, of the fact that they can be no stronger politically than they are militarily, of the importance of appearing as powerful as possible at the peace table and of the likelihood of civil war with the Chinese communists after the peace, the Chinese Government is, not surprisingly, pursuing a policy of conservation of military strength. The Japanese approach the truth when they accuse the Chinese of seeking to make the far (the United States) fight the near (Japan).

We recognized before December 7, 1941 that China was endeavoring to get us to fight its battle against Japan. There has been no reason for a change in this Chinese attitude and there has in fact been no change, despite the disillusioning shock of Pearl Harbor which struck the Chinese with as great force as it did us.

China's policy, now that we are fighting the Japanese, is to remain technically in the war so as to be able to sit at the peace table as a "fighting" ally, to expend as little as possible of its strength and to rely upon the other members of the United Nations—primarily the United States—to defeat Japan.

We have not bled enough for the liking of the Russians, the British or the Chinese. With political considerations looming so large in their calculations they are each fighting not only the common enemies but also, in a negative fashion, their allies.

A second fundamental difficulty confronting General Stilwell is that, in addition to his professional military task, he is involved, whether he likes it or not, in Chinese domestic politics. He is a major force in Chinese politics. By instinct, temperament and convictions, he seeks to avoid involvement in Chinese domestic politics. But the fact that he commands a military force in China, is empowered to issue orders in the Generalissimo's name and has under his control lend-lease matériel for distribution to China makes him, despite all of his wishes to the contrary, a Chinese political factor. While he endeavors to avoid playing domestic politics, he cannot prevent politics from being played on him.

In his efforts to short-circuit domestic politics, General Stilwell has as much as possible dealt directly with the Generalissimo. But the Generalissimo maintains his paramount position as he attained it—through political manipulation. He is not a dictator. He has no

absolute over-all command. He manipulates a delicate and shifting balance of power. So there is no one with sure and final authority with whom General Stilwell can deal.

General Stilwell has, of course, had long-standing contact with the Chinese Army. What he discovered upon his arrival at Chungking was therefore no surprise to him. The Chinese Army is not an army in the sense that we use the word army. Rather it is an agglomerate of feudalistic military forces held more or less together by personal loyalties, endowments, grants in aid, threats of superior weight and indifferent toleration. The Generalissimo's relation to this armed mass is variable. A few divisions he can count upon to obey his orders fairly faithfully, within the limits of their ability. Others, no. He wisely does not attempt to issue to some of the more independent commanders orders which he has reason to believe they would not be willing to obey. Many orders are issued only after negotiation with the commander or his Chungking representative.

The following comment by an exceptionally intelligent Chinese Army officer reveals a good deal with regard to the Chinese scale of military values. We were discussing possible candidates for the command of the Chinese Army at Ramgarh. I mentioned General Sun, Commander of the 38th Division, an unusually capable officer (I knew he would not be acceptable, but was interested in what reply would be given). It was this—"General Sun is too young, he belongs to no strong faction and has no political history."

The Chinese Army is not only badly organized and, as everyone knows, poorly equipped but is also meagrely trained. This has shown up glaringly at Ramgarh. From privates on up, with exceptions like General Sun.

Excepting for the Communist divisions and the small body of troops at Ramgarh, the morale of the Chinese Army is low. It is characterized by (1) apathy and (2) venality.

The Chinese Army Officers have no great interest in fighting the Japanese. Even at Ramgarh there is some evidence of this. A Chinese-speaking American officer there who has constant contact with Chinese officers expressed surprise that not one of his Chinese colleagues (many of whom had homes occupied by the Japanese) had expressed a desire to get into the field and fight the Japanese. In China, the situation is worse.

Venality in the Chinese Army goes along naturally with the apathy. Chinese troops have traditionally had to shift for themselves. Most units have lived off the localities in which they have been stationed. This situation has further deteriorated in most regions bordering Japanese-occupied territory. Chinese commanders in these areas have settled down with their wives and families and gone into trade. They

control and profit enormously from the contraband traffic across the "fighting" lines.

For example, a British sabotage unit in Hunan sought to destroy a bridge between the lines and over which the Chinese and Japanese were trading. When the Chinese commander heard of the project, he ordered the British out, suggesting that they go and fight their own war—everything was peaceful and harmonious there and the British wanted to start trouble. At Hokow on the Yunnan-Indochina border there is lively traffic between Chinese and Japanese-held territory, a certain number of ferries moving across the dividing river between certain hours. The Chinese garrisons draw their rice rations from Japanese territory. One morning late in January the rice ration failed to arrive during the scheduled trips. The Chinese commander became incensed and entered a strongly worded protest. The Japanese, not wishing to disrupt relations, obligingly dispatched the rations by a special ferry after hours.

These are samples chosen at random of the state of affairs at the front. The Japanese are as corrupt as the Chinese. The difference, however, is that the Japanese can be depended upon to fight when the orders come from the top. Corruption has not yet enervated them.

Summing up, in seeking to carry out the directive given him, General Stilwell is confronted with: (1) a basic reluctance on the part of the Chinese Government to assume the offensive against Japan, (2) a Chinese inclination to rely upon the United States to defeat Japan, (3) a Chinese desire to conserve matériel rather than expend it, (4) attempts by Chinese political factions to use him, (5) the absence of central Chinese authority, whether individual or collective, with whom he can deal, (6) lack of organization, political factionalism, incompetence, apathy and corruption in the Chinese army.

It would be naive in the extreme to suggest that all he has to do to make China an aggressive factor in the war against Japan is to place lend-lease arms in Chinese hands and in consultation with the Generalissimo issue orders for the attack.

All he can do, in fact, is argue, plead and bargain, with lend-lease matériel and the Ramgarh project as the inducements to follow his lead. The Chinese want the matériel, for that is the stuff of power. And the Chinese generals who have seen Ramgarh want the troops trained there for their personal armies. General Ho Ying-chin³¹ who was initially chilly to the Ramgarh project has since his visit there displayed signs of covetousness. General Stilwell can and is using these ambitions to compel the Chinese to prepare to assume the offensive against the Japanese.

³¹ Chinese Minister of War and Chief of Staff.

But the Chinese can be expected to take the offensive only when they are assured that such a venture will be profitable, that what they expend in the way of matériel will be replaced, and with interest. That is one of the costs of an ally. The arrangement is a bargain. And we must continue, through control of the flow of lend-lease equipment, to be in a position to cut off the flow when the Chinese fall down on the fulfillment of their side of the bargain.

It follows that the intemperate eulogies of the Chinese Army which appear in the American press and over the American air (largely inspired by the Chinese pressure groups in the United States and uninformed American sinophiles) only play into the hands of the Chinese factions wishing to obtain lend-lease equipment without restrictions as to its use (or non-use). It is scarcely necessary to note that any one whom the Chinese might suggest as a replacement of General Stilwell would be likely to be a man whom the group in power in Chungking believed they could use to their own advantage. In feeling this way the Chinese are neither contemptible nor vicious—merely political.

Chinese and Americans have criticized General Stilwell for getting on badly with the Chinese. General Stilwell is not a man who willingly compromises. He has not concealed from the Chinese what he thinks of their incompetence and corruption. Naturally many of them have thereby been offended.

My reaction to this criticism is this. The Chinese Army and Government is ridden by politics and abuses. Any American military man who attempted to compromise and play Chinese politics would promptly find himself enmeshed and rendered useless for the purpose he was sent out. General Stilwell once said to me that "My safest course is straight down the road". I am inclined to agree. The Chinese Army is not going to be made to fight the Japanese by wheedling and open-handed grants of matériel.

China is badly in need of the Puritan spirit. The Chinese have not produced it themselves excepting, in a modified form, in the Generalissimo. If the Chinese Army is to be regenerated, it must be through General Stilwell. What he says sometimes stings the Chinese. But it has not gone wholly unappreciated. More than a score of high-ranking Chinese officers have come to him privately telling him that he was doing China a great service by his forthrightness, that he is needed, and to keep on going straight down the road. And as has been said, even his political enemies have been impressed by what he has in six months produced at Ramgarh. He may yet perform what has seemed impossible—cause the launching of a Chinese offensive against the Japanese. If it happens it will have been a one-man achievement.

JOHN DAVIES, JR.

740.0011 Pacific War/81544

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

[WASHINGTON,] March 10, 1943.

Mr. BERLE: The memorandum here attached,³² by FE, is essentially self-explanatory. FE proposes the creation of a board or committee the function of which shall be to handle intelligence data with regard to the Pacific area in a manner adequately attentive to the political aspects of the relationships which prevail among or which need to be cultivated among those of the Allied nations that are especially and directly concerned with developments in the Pacific and Far Eastern regions.

The question of political relationships during war and looking toward the period that will follow war is a problem involving many angles and a multitude of facets. There is a tendency, in the midst of attention to the paramount problem of making and executing military plans and operations, to overlook or give scant consideration to not a few of these angles and facets—especially those that lie or appear to lie in the realm of the “imponderables” or “intangibles”.

I am convinced, from observation, that there is much that is lacking in this Government's handling of some of the problems wherein there are involved a combination of military, political, psychological and other factors. We are not, it seems to me, making the most of the potentialities of some of our allies, nor are we deriving the maximum of the advantages which are potential in the creation, cultivation and exploitation of the United Nations concept. I believe that we could get a good deal more out of some of our allies by giving a good deal more to them: get more in connection with the war effort and get more in connection with the coming peace effort. Regardless of the circumstances attending Mr. Willkie's³³ utterances on the subject of “reservoirs of good will”, there was and is much to what that observer and critic said on that subject. We should cultivate, encourage, make use of and derive advantage from good will on the part of our allies—the little and the middle-sized ones as well as the big ones.

The idea developed in FE's memorandum under reference therefore appeals to me and should, I think, be given careful consideration.

From a practical point of view this idea ties in with and might readily be given consideration in connection with a question which had the attention of the J. I. C.³⁴ recently: the question of creating an office or at least appointing a qualified officer to perform the function of improving relations with the military representatives here of the

³² Memorandum of March 8, p. 24.

³³ Wendell Willkie, Republican nominee for President in 1940, who visited China and other countries in behalf of the war effort in 1942.

³⁴ Joint Intelligence Committee.

Netherlands and of China. I am of the opinion that the problem then considered might well be given further consideration, in broader terms than before, in the light of the suggestion offered in FE's memorandum.

If these suggestions appeal to you, you might perhaps care to revive the question at a meeting in the near future of the J. I. C.³⁵

S[TANLEY] K. H[ORNBECK]

711.93/528

*Memorandum of Conversation, by Mr. Edward E. Rice of the
Division of Far Eastern Affairs*³⁶

[WASHINGTON,] March 11, 1943.

Participants: Dr. Shuhsi Hsü of the Chinese Ministry of Foreign
Affairs
Paul Chu of China Defense Supplies and
Mr. Edward E. Rice

Mr. Rice was introduced to Dr. Hsü, by Mr. Chu, at a small social function during the course of which they had the conversation related below.

Dr. Hsü said that the most imminent and serious danger faced by China is financial and economic and that he fears inflation may soon reach a point where the currency system will break down and governmental functions, including national defense, become impossible of performance. He professed to fear that with China out of the war, defeat of Japan by the United States might become impossible. He stated that the defeat of Germany at least in North Africa and possibly in Europe may be necessary or desirable before our full weight is thrown against Japan, but that meanwhile more effective action must be taken on China's behalf if that country is to be kept in the war.

Mr. Rice asked Dr. Hsü how much longer he considers present inflationary tendencies can continue before a collapse in the money economy occurs. He replied that he does not believe it possible to judge this mathematically, that Germany's position after the first war, for instance, cannot be taken as a basis for judgment because of differences in the economies of the two countries, but that he did think the position might become untenable by the time of the next budget. He added that the Chinese financial economy can be saved only by giving China access to physical goods needed by that country,

³⁵ Notation by Assistant Secretary Berle: "Noted. Some discussion in J. I. C. Not much."

³⁶ Initialed by the Chief of the Division (Hamilton). Copy forwarded to the Embassy in China in instruction No. 261, March 23, not printed.

and that such goods could not enter China in adequate quantities without the recapture of Burma and the reopening of the Burma Road.

Dr. Hsü expressed cynicism with regard to the possibility of Burma's being reoccupied in time to save the situation. At this point Mr. Chu stated that the Chinese authorities hear much of General Stilwell's plans, but that it seemed very doubtful that they would be implemented. Dr. Hsü held that the Indian situation would be at least materially eased if British troops now in India were to reoccupy Burma, for this would quiet those Indians who desire to be rid of rule by a power which appeared, in view of failure in nearby areas, unable to protect them and whose presence in India might serve to invite attack.

At no time did Dr. Hsü indicate a belief that the Chinese Government would consider surrendering to Japan. China, he appears to believe, will fight to the so-called bitter end, but he considers that end much nearer than Americans realize and much more bitter than he himself dares contemplate. He added that he considered that the responsible Chinese have been too reticent and too afraid of hurting American sensibilities and that greater frankness in presenting the true Chinese situation was needed. Mr. Rice stated that possibly Chinese officials have been too reticent with respect to revelation of conditions prevailing within China, but had not been reticent with regard to desire for greater aid from the United States. As an instance, he pointed out that several Chinese officials are lending their names to the *China Monthly*, which prints articles demanding increased aid to China and severely criticizing both the Department of State and American foreign policy. Dr. Hsü said he was glad to hear this, which he considered an encouraging manifestation.

Dr. Hsü said he considered the survival of China depends upon the infallibility of a few high American strategists. He criticized President Roosevelt, in this connection, for devoting attention to domestic politics and for leaving questions of strategy to the military. Mr. Rice gave the opinion that the President has devoted much attention to strategical and other questions related to the war, that his deep knowledge of and close attention to naval affairs is well known, and that concern with domestic administration must remain essential to winning the war so long as the United States is an economic and industrial base producing the means of waging war for ourselves and other United Nations.

In summary, it might be added that Dr. Hsü revealed an apparent depth of bitterness, with respect to presentday Sino-American relations, which is rarely encountered.

893.20/773 : Telegram

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

WASHINGTON, March 15, 1943—10 p. m.

352. Reference Embassy's 242, February 18, 1 p. m. concerning British Air Mission to China. Substance of reference telegram was brought to the attention of the War Department. War Department states that it has no record of the receipt of a request from the Chinese Government to make available air instructors; that General Stilwell endeavored, unsuccessfully, to persuade the Generalissimo, who requested the British in September, 1942 to furnish air instructors, to decline the British offer; that General Arnold's³⁷ efforts at this end have elicited a reply from Sir John Dill³⁸ to the effect that the British Chiefs of Staff feel unable to stop this Mission since such action would cause embarrassment at this stage. Sir John further informed General Arnold that the Mission has no strategic or political significance; that it should not run counter to or embarrass General Chennault's³⁹ operations; and that instructions have been issued to the Mission to collaborate fully with United States officers in China at all times.

HULL

740.0011 Pacific War/3206

Memorandum of Conversation, by the Second Secretary of Embassy in China (Davies) to General Stilwell⁴⁰

[CHUNGKING,] March 15, 1943.

A Chinese friend arranged for me to call on General Feng Yuxiang, the former war-lord and "Christian general", now member of the Standing Committee of the National Military Council of which General Chiang Kai-shek is Chairman. My friend explained to me that Feng is the only prominent figure in the Government, with the possible exception of Sun Fo, who dares to be bluntly outspoken in his criticism of conditions in China when speaking to the Generalissimo. Feng's verbal attacks on corruption and incompetence, he said, have earned him the enmity of other officials, both military and civil.

With the slight stoop and mental preoccupation of advancing age, Feng stalked into the room, a massive figure in his wadded jacket and trousers of blue cotton. He indulged in the old Chinese courtesies of

³⁷ Lt. Gen. Henry H. Arnold, Commanding General, United States Army Air Forces.

³⁸ Head of British Joint Staff Mission in the United States.

³⁹ Maj. Gen. Claire L. Chennault, Commanding General, U. S. 14th Air Force in China.

⁴⁰ Copy transmitted to the Department by the Chargé in China (Vincent) in his covering despatch No. 1018, March 23; received April 16.

referring to himself as "younger brother" and the United States as "your honorable country". Gradually we got to an exchange of views.

He wants a supreme American-Chinese-Soviet command for the war against Japan. He reiterated this. His omission of Britain was pointed; his inclusion of the Soviet Union despite Russia's neutrality gave him no pause. He demanded a supreme command for the war against the Japanese because, he said, the Burma experience taught us that we need one. The British doling out rice day by day as negotiated for, the haggling over who was in command—the Chinese, the Americans and the British each with his bids—was a disgraceful spectacle of buying and selling (*tso mai mai*). This type of bargaining must be replaced by a strong central command. Whether it be American, British or Chinese doesn't matter, he roared, unity of direction is the important thing.

Feeling that we were getting slightly beyond my depth, I ventured a question about the post-war world. That elicited another blast. He was a simple soldier. His only interest was driving the Japanese devils from China back to the islands. He was not speculating on what should happen after that. We had to defeat the enemy first.

After this storm had subsided, we talked about American aid to China. He said that he realized that we were doing everything possible under the circumstances. He quoted by way of illustrating Chinese-American relations at this time a Chinese proverb to the effect that a man whose hand is caught between the upper and nether millstones is unreasonably impatient toward the man coming to his aid as fast as is humanly possible.

Feng questioned the necessity of our sending arms to China when, as he explained, China was producing more iron and steel than its arsenals and factories could use. It was his belief that we should send over several plane loads of engineers to assist the Chinese in turning the surplus iron and steel into matériel. He was particularly enthusiastic over the possibility of making large mortars which he said had been used by the Russians with great effect. This predilection for mortars may have its base in the demonstration you put on for him some years ago when you (General Stilwell)—according to the legend—constructed a formidable Stokes mortar for him from a piece of iron pipe.

Corruption in the Chinese Army was a topic which the General next introduced. He said that due to inflation and the custom of Army and divisional commanders taking a cut on pay allotted to their troops, Chinese divisions are now each one regiment below strength. They still draw pay for full divisions but pocket the allotment for the non-existent regiments. The Government, he declared, has taken some action with regard to this abuse. The Commanding General of the Third Group Army apparently indulged in this practice to excess,

for he was recently brought to Chungking, according to Feng, for questioning. Feng described this situation with manifest disgust, exclaiming, "That's one of your allies!"

"We are allies", Feng went on to say, "and we must be frank with one another. You must tell us our faults and recognize our good points." He continued, "Now is no time to engage in exchange of polite phrases of false mutual esteem. We owe it to one another to be straightforward." I observed that you had, as far as my information went, been frank with the Generalissimo and other Chinese leaders. Of course, I added, some people had been a little disturbed by straightforward talk. It was a difficult and delicate matter. Feng brushed aside these comments, reemphasizing the necessity for complete frankness.

Our mutual friend remarked that I had visited Ramgarh and added, "Mr. Davies says that the troops there have meat to eat every day!" I therefore described conditions at the Training Center, the teaching of practical exercises with live ammunition, the excellent equipment, the good clothing and the robust condition of the troops. Feng nodded approval and then rumbled, "Here, though, if you suggest that the troops should be properly fed and cared for when sick you are called a Communist."

The Japanese had embarked upon a program, Feng stated, for the impressment of 10,000,000 Chinese troops (one of those typically picturesque figures of speech statistics to which the Chinese are prone) to be used eventually in the Southwest Pacific and other areas where they will be up against American rather than other Chinese troops. He said that several boatloads have already been sent to Japan and that officers are being trained in Nanking. He said that the American military authorities should secretly confer with the Chinese military authorities to devise means for dealing with this development.

The Central Government, our mutual friend declared, had lost contact with the Kiangsu Provincial Government. It was feared that the provincial leaders had gone over to the Japanese. This was being kept secret from us. It represented a serious set-back to Chungking. Other unfavorable developments were the defeat and surrender of the 128th Division (in the Fifth War Area?) and the decimation of Yu Hsueh-chung's forces in Shantung.

Li Tsung-jen, Commander of the Fifth War Area, drew high praise from Feng. He described Li as the best Chinese general and an undoubted patriot. "There is not a person in China who does not regard Li with esteem", Feng fervently declared. He was scarcely less complimentary about Pai Chung-hsi.

This was one of the most interesting conversations I have had in recent months. Feng is a most unusual character, as you well know,

being a combination of shrewd peasant, high-handed warlord, Buddhist recluse, Methodist revivalist, communist internationalist and Chinese nationalist. His conversation was sometimes in the coarse, homely phraseology of the north China farmers, then it was in the form of precepts and moral homilies. At times he was detached, hardly seeming to be aware of my existence, again he was fervent and direct. He was alternately realistic and naive about international and military affairs. He was, however, like most Chinese, consistently anti-British.

JOHN DAVIES

893.248/275 : Telegram

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

CHUNGKING, March 16, 1943—4 p. m.

[Received March 17—5:17 p. m.]

378. Last night at a dinner given by the Chinese Aeronautical Commission in honor of General Chennault, Dr. Kung⁴¹ referred to the creation of the Fourteenth Air Force with Chennault in command as result to [of] President Roosevelt's recognition of the difficulties experienced by General Chennault in trying to operate the China Air Task Force under the Tenth Air Force commanded by General Bissell at New Delhi.

The addresses and general atmosphere prevailing at the dinner reflected the extremely optimistic expectations which the Chinese have regarding future American aviation activities in the China theater.

VINCENT

740.0011 Pacific War/3132 : Telegram

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

WASHINGTON, March 17, 1943.

362. Reference your telegram no. 293, February 27, summarizing a statement of Generalissimo Chiang Kai-shek to the "soldiers and citizens of Thailand".

At his press conference on March 12 the President made special reference to the Generalissimo's statement as a matter which he deemed of great value. Referring to the Generalissimo's statements that China as well as her Allies had no territorial ambitions in Thailand

⁴¹ H. H. Kung, Chinese Minister of Finance.

and harbor no intentions of undermining her sovereignty and independence and that the Thais should recognize the fact that the territory and freedom of Thailand can only be restored to her through the victory of China and her Allies, the President stated that they were a declaration of policy not only of China but of the policy of the United Nations as well. The President emphasized the relation of the Generalissimo's statement to what he characterized as the general point of view of the United Nations in regard to territory grabbing.

HULL

740.0011 Pacific War/3155 : Telegram

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

CHUNGKING, March 18, 1943—noon.

[Received March 18—10:12 a. m.]

391. In an informal discussion Chief of Department of Information, Foreign Office, gave me following interpretation of Tojo's⁴² recent visit to Shanghai and Nanking.

Purpose was probably twofold. From military standpoint discussions so far have concerned increased use of Nanking puppet troops in order to relieve Japanese troops for transfer either to Manchuria or more likely the South Sea area. Part all-out offensive on China not contemplated, it would seem, but Japanese hope that Chinese puppet troops can be more effectively used against Chinese Government troops. Tojo conferred with Japanese commanders in Nanking and Shanghai. From the political standpoint, visit is interpreted as a matter of face for Wang Ching-wei⁴³ and as a gesture to the peoples of Japanese-occupied areas (Burma, Thailand, Philippines, et cetera) indicating the Japanese Government's friendly and high regard for other oriental governments as one of the tenets of its greater East Asia co-prosperity sphere program.

The brevity of Tojo's visit would indicate that nothing of a concrete and major character could have been discussed and decided upon except by prearrangement and the Embassy inclines to the belief that it was largely a face-making gesture.

VINCENT

⁴² Gen. Hideki Tojo, Japanese Prime Minister.

⁴³ Head of Japanese-sponsored regime at Nanking.

893.24/1553 : Telegram

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

CHUNGKING, March 19, 1943—10 a. m.

[Received 1:08 p. m.]

400. With reference to Embassy's 394 of March 18, 3 p. m.,⁴⁴ Stewart to Office of War Information, I would comment that the reaction I have encountered among Chinese, mostly official, is one of pleasure over America's reception of Madame Chiang, satisfaction with the conduct of her visit and confidence that, if it can be gotten, Madame Chiang can get it (this latter with regard to Lend-Lease and other forms of aid to China, to recognition of China's "rightful position" among United Nations, and to Chinese immigration to the United States). Chinese expectations are high at the moment, as stated in my 378, March 16, 4 p. m., in regard to creation of Fourteenth Air Force under Chennault (incidentally there is a tendency to credit Madame Chiang with that development) and there is possibility of adverse reaction if expectations are not fulfilled. Chennault is somewhat perturbed in this respect.

On the general subject of support for China, I believe that material aid given should be conditioned upon the theory that it is as much a good will as a military investment, perhaps more so. It should therefore be given in a form most evident to the public.

Widespread activity on the part of a strong Fourteenth Air Force under Chennault would fulfill this condition ideally and would be a good military investment as well. There may be additional means of serving the same purpose. Equipment and training of a limited number of Chinese troops as in India and Yunnan may be one of them. But what the Chinese describe as all-out material aid to the Chinese Army to enable it to make an all-out offensive to drive the Japanese out of China would not, it seems most evident, be practical; and aid in a limited and dispersed manner would have no positive effect.

The Chinese Army is due all credit for its steadfast resistance to Japan and will no doubt when the Japanese become hard pressed take advantage of the situation but we should not permit our appreciation of those facts to lead us to think that material aid now to the Chinese Army would produce results commensurate with the effort with the cost of its diversion and diversion of the transport from other theaters of the war.

Lastly, while it is good policy to encourage the Chinese in all practical ways, we need not condition our approach to the problem on any fear that the Chinese might lose confidence in our victory and discontinue resistance.

VINCENT

⁴⁴ Not printed.

740.0011 Pacific War/3160 : Telegram

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

CHUNGKING, March 20, 1943.

[Received March 20—10:19 a. m.]

409. *Ta Kung Pao* editorially comments that Japanese rendition of concessions to Nanking puppet régime is smoke screen in war of thoughts against Chinese people in occupied areas; that Japan aims at false independence for puppets in order to bewilder Chinese people for further economic exploitation through puppet régime; that Japan no longer needs concessions since all occupied China is under her control and that signing of agreement at Nanking by Tojo for return of concessions is but another expression of Japanese policy in China aiming at complete control of continent through puppets.

VINCENT

740.0011 Pacific War/3173 : Telegram

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

CHUNGKING, March 27, 1943—2 p. m.

[Received March 27—11:40 a. m.]

461. Following is summary of Military Attaché's ⁴⁵ review of military situation during past week:

The period has been relatively quiet and there are no apparent prospects of an early coordinated military action in the China theatre. Jap broadcast that operations commenced in mid-February in the Yangtze River areas north of Tungting Lake and in the Huai River valley in Northern Kiangsi have been concluded and are now in mopping up stage; reduced activity in those areas confirms broadcast. Chinese military continue to report operations in area of Hwajung, Kungan, and Kingman but they are on small scale. Chinese also report successes in minor engagements in Anhwei and Kwangtung Provinces. In Yunnan there was no significant activity.

Chinese intelligence reports that puppet troops have taken over garrison duties at Paotou in Suiyuan Province, Kuwo in Shansi province, and Totseh and Kaocheng in Shantung. This will release regular Jap troops (number stated) for service elsewhere. Appointment of Takuro Matsui as chief of staff of Jap forces in China taken as further indication of Japan's intention to consolidate position in occupied China and control area insofar as practical with puppet troops. (Embassy recalls that this Matsui is man who prior to 1937 was regarded favorably by Chinese officials at Nanking. He is not the Matsui responsible for the Nanking outrage in 1937.)

⁴⁵ Col. Morris B. DePass, Jr.

Nanking régime and Japs have concluded agreement for return of Peiping Legation Quarter to the Chinese and for rendition of Jap concessions. This and other recent Jap actions indicate desire to strengthen Wang Ching-wei's authority. Embassy interprets recent Jap civilian and military actions in China as implementation of plan of continuing and strengthening strategic defense position in China through more effective use of Chinese.

VINCENT

740.0011 Pacific War/3144½

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

[WASHINGTON,] March 30, 1943.

MR. HAMILTON: The problem of Chinese representation in United Nations matters is extremely interesting; and serious thought is called for. The blunt fact is that Chinese-British relations are deteriorating to a point where they are in conflict in a number of very important details; and conflict is developing along certain very fundamental lines.

Of the suggestions put forward,⁴⁶ the most promising at the moment seems to me to be the possibility of a United States-China Supply Council. That is badly needed.

I wonder if you could speak to me about this, at your convenience?

A[DOLF] A. B[ERLE], JR.

893.20/782

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

No. 1036

CHUNGKING, March 30, 1943.

[Received April 21.]

SIR: I have the honor to refer the Department to the Embassy's telegram no. 242, February 18, 1 p. m. and to enclose a copy of despatch no. 32, March 22, 1943,⁴⁷ from Mr. Drumright, Secretary of Embassy on detail at Chengtu, in regard to the British Air Mission at Chengtu.

With reference to the statement in the Department's telegram no. 352, March 15, 10 p. m., to the effect that the War Department does not have any record of receipt of a request from the Chinese Government to make available air instructors, our Military Attaché, who was the source of the statement in the Embassy's reference telegram re-

⁴⁶ See memorandum of March 5 by the Chief of the Division of Far Eastern Affairs, p. 17.

⁴⁷ Latter not printed.

garding American instructors for the Chinese air force, has told me, for the information of the Department only, that he was advised of the matter by Major General Chennault and that it is probable Chennault referred the matter to the War Department through personal rather than official channels.

Respectfully yours,

JOHN CARTER VINCENT

893.796/318

Memorandum by the Ambassador in China (Gauss), Temporarily in the United States, to the Adviser on Political Relations (Hornbeck)

WASHINGTON, March 31, 1943.

I have carefully refrained in China from mixing into our military affairs; they are the duty and responsibility of General Stilwell; but, returning home on leave, I feel that I should mention a matter which has both military and political aspects of some importance—the use of the Chinese air corps pilots trained in the United States.

We are bringing several hundred Chinese air corps cadets to the United States annually for advanced training after which they are returned to China and, apparently, have been lost to the war effort. They go into the Chinese air corps under commanders who have not had American training and become more or less inactive. They do not go on from their advanced American training to actual battle experience which they could get in China alongside our own air force; battle experience which would develop them into squadron leaders and assist in building up an efficient Chinese air arm which would be of use to China and of benefit to the United States during the war.

I spoke briefly to General Arnold on this subject when he was in Chungking, and I had the impression that the matter was in his opinion worthy of consideration. It was my thought that these pilots after return to China should be brigaded with or alongside our own air force under General Chennault, receive battle experience with them, develop their own squadron leaders, and contribute something to the war effort.

I have also talked with Dr. T. V. Soong on the subject, both in Chungking and here, and I am told that China would welcome our interest in developing these pilots and in reorganizing the Chinese air force; and I gain the impression that it would be agreeable to the Chinese if these pilots were brigaded with our air force along some such lines as I have suggested above.

When I passed through Kunming on my way home I saw General Chennault and asked him what had been done in the matter. He told me frankly that he had been told by his superior officer (General

Stilwell) not to concern himself in it. Chennault told me that he would like to see these Chinese pilots brigaded alongside his own force, perhaps with American squadron leaders as I have suggested until the Chinese develop their own squadron leaders out of their own contingents, or, he said, his own fliers would gladly agree to the Chinese pilots being mixed into their squadrons.

How efficiently and successfully this could be done I do not know, but it seems to me that if any benefit is to come, to us and to China, out of our air corps training program for China something should be done—soon—to make proper use of these American trained Chinese pilots; and the best man to make use of them is Chennault.

I have no comment to make on the friction which apparently exists between Chennault and some of his higher military colleagues. I can only say this: Chennault has the complete confidence of the Chinese Government and leaders; he has accomplished wonders with only a handful of planes and pilots; he has produced results in the face of charges that his tactics are unorthodox, etc., etc.; and it would seem to me that having in mind our one objective—winning the war—it would be wise to make all possible use of Chennault in this matter of the Chinese pilots (and indeed, other matters affecting relations between the Chinese and the American forces) if we want results.

Confidentially, my conclusion is that the Chinese air corps training program is a failure unless we take these Chinese pilots after their training in the United States, give them battle experience alongside our own air corps, develop Chinese squadron leaders (in short, build up a new Chinese air corps), and get some benefit—for China and for ourselves—out of the program. If we can develop these Chinese pilots in Chennault tactics and make them an effective force we need send less of our own American pilots to China.

C. E. GAUSS

793.94/17107a : Telegram

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

WASHINGTON, April 1, 1943—6 p. m.

428. According to Japanese radio broadcasts Premier Tojo in addressing the Diet on March 25 stated *inter alia* that "Chungking is feeling a great shock under the recent clear cut measures taken by Japan on the basis of Japan's new China policy, that there is ever growing in the Chungking camp sentiments for peace among the front line commanders and that compared to previous times there now is a great increase in the number of those surrendering and returning to the Nanking camp." In connection with Japanese reports of

alleged defections to the Nanking regime the Chief of the Japanese Army Information Bureau stated in a broadcast on March 2 that W. W. Yen,⁴⁸ Eugene Chen⁴⁹ and Chou Tso-min (Managing Director of the Kincheng Banking Corporation) are now supporting the Nanking regime.

The Department would be glad to receive Embassy's comments regarding Japanese reports of defections to the Nanking regime and also the Embassy's estimate of the present political and economic strength of that regime in the light of recent Japanese broadcasts alleging that measures have been taken to give more political and economic authority to Nanking in pursuance of Japan's "New China Policy."

HULL

740.0011 Pacific War/3193

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] April 3, 1943.

There has been growing in my mind for several weeks past a sense of a possibility that long before the time at which, proceeding according to the strategy which has been adopted of defeating Germany first and then dealing with the Japanese, the time will have arrived for the United Nations to attack Japan from points in China, we will find that, in regard to our expectation of using air fields in China, especially fields near the coast, for that attack, we have "missed the boat." I am not sure that such a situation has not already developed.

There come to our attention increasing indications that the Chinese have lost or are losing interest in the idea of further sacrificing on their part toward effecting defeat of Japan. The process of "conciliation" and "pacification" in the occupied areas is proceeding steadily. Trade, directly or indirectly encouraged by the Japanese, between the occupied and the unoccupied areas is increasing. Japanese pressure upon officialdom at Chungking through pressure upon Chinese in Japanese hands seems to be having an effect. Nationalist sentiment, various prejudices, some real and some fancied grievances, some suspicions and some apprehensions—toward and in regard to some of China's allies in the United Nations group tend to create an apathy among officials at Chungking in regard to the subject of offensive military operations against Japan, in view, first, of the fact that the Japanese are no longer pressing them and are given to striking only when struck, and, second, that the United States and Great Britain

⁴⁸ A former Chinese Prime Minister, Minister for Foreign Affairs, and Ambassador.

⁴⁹ A former Chinese Minister for Foreign Affairs.

have declared that they intend to consummate an utter defeat of Japan.

Under these circumstances, it is by no means certain that at a time when, say, nine months or twelve months or eighteen months from now, we might wish to use Chinese air fields for direct offensives against Japan we will find those air fields available.

There is only one way in which we can effectively oppose, offset and counter the policy which Japan is now following in China and the present trend of Chinese thought with regard to the war: the one and only potentially effective measure that we (and the British) have available to us for that purpose lies in the realm of increasing the delivery of materials of war—specifically, planes, guns, trucks, miscellaneous munitions, medicines—and, along with these, personnel, for current and future reinforcing of the Chinese military machine and our own military forces in China. The Chinese are thinking with their eyes, their hands, their feet, their tired bodies and their empty pocket books, rather than with their ears. What is needed in China for the purposes of the United Nations today is visible and tangible evidence of intention and capacity on the part of the United States and Great Britain to make use of China's potentialities in and as a part of the United Nations war effort. It could be done. C. N. A. C.⁵⁰ and the Army have demonstrated that.

S[TANLEY] K. H[ORNBECK]

896.796/318

The Adviser on Political Relations (Hornbeck) to the Commanding General, Army Air Forces (Arnold)

[WASHINGTON,] April 3, 1943.

DEAR GENERAL ARNOLD: I send you here attached memoranda⁵¹ which are self-explanatory. In the course of brief conversations which I had with Ambassador Gauss during his recent brief visit here, Mr. Gauss indicated that the subject of the Chinese Air Corps pilots was very much in his thought. He said that he had had opportunity to talk with you only very briefly in Chungking and would not be able to talk with you during the short period of his visit here. He gave me, however, a memorandum, as indicated, under date March 31. The best use which I can make of that memorandum is, it seems to me, to send it on to you. Hence this communication.

I may say that, with full consciousness on our part that we lack knowledge of many of the fine points, especially technical points,

⁵⁰ China National Aviation Corporation.

⁵¹ Ambassador Gauss' memorandum of March 31, p. 41, and a memorandum dated April 2, not printed.

that bear on the question to which Mr. Gauss' memorandum relates, several of us in the Department who necessarily study the political angles of this and related questions, feel that the use made or not made, in China, of Chinese personnel trained in the United States—in no matter what field of training—has always been and will continue to be a matter of importance in connection with the general problem of relations between the United States and China.

Yours sincerely,

STANLEY K. HORNBECK

893.00 P. R. Yunnan/166

*Memorandum by the Assistant Chief of the Division of Far Eastern Affairs (Atcheson)*⁵²

[WASHINGTON,] April 7, 1943.

Recent reports from the Department's officers in free China indicate that trade between free China and Japanese-occupied China has reached sizable proportions and is on the increase. For example, one transaction across the Sino-Japanese front lines in southwest China involved 1,000 horse loads of goods; in Central China some 1,200 tons of goods a month move each way along the Yangtze River and across the lines; and in North China a large traffic also moves across the opposing lines. It is reported that at Sian, in free China, where the payments for this traffic in North China are largely settled, the banks of that city now handle remittances to Shanghai and Tientsin in occupied China. The goods passing from free into Japanese-occupied China consist chiefly of raw materials, including such essential war materials as tungsten, and the goods proceeding in the opposite direction chiefly of finished consumer goods. The Chinese authorities are encouraging the importation from occupied areas of the latter type of goods by waiving import duty in the case of certain categories of such goods and by facilitating payment of excise taxes in the case of other categories. The Japanese are reportedly interested, not in stopping this traffic, but in controlling it so that the goods passing into free China may be restricted to luxuries and daily necessities and that the goods coming from free China may be confined to materials needed for Japan's wartime economy.

Continuation and growth of this traffic constitute a serious danger to the war effort of the United Nations. Chinese commanders in the field are constantly exposed to the temptation of utilizing their controlling position to profit personally by the traffic, thus developing a vested interest in an undisturbed front which cannot but harmfully

⁵² Addressed to the Secretary of State and the Under Secretary of State (Welles).

affect their offensive spirit. According to a reliable report, for example, one Chinese commander interfered with a sabotage project of a British unit because it would have interfered with the peaceful commercial intercourse which had been established between his area and the area beyond the Japanese line facing him.

The Chinese Foreign Minister⁵³ on March 31 after attending the Pacific War Council in Washington told reporters that the Japanese were using "softer" tactics with the Chinese. The "softer" tactics mentioned by Dr. Soong referred primarily to Japanese measures intended to persuade Chinese puppets to collaborate with the Japanese in fact as well as in name. We feel that Japanese encouragement of trade across the lines represents "softer" tactics of a much more significant and sinister nature from our point of view, as it suggests the adoption by the Japanese of a policy calculated to promote peaceful intercourse between occupied and unoccupied areas and to lull the Chinese forces into military inactivity. In view of the war-weariness of the Chinese forces, their appallingly poor physical condition in many instances, their inadequate equipment, and their ebbing morale—ebbing from a variety of causes, economic, financial, political, administrative and psychological—this policy may well be reciprocated and may lead to at least a tacit or *de facto* truce between the Chinese and Japanese armies.

The foregoing developments emphasize, in our opinion, the urgent need of consideration by our military as well as other concerned authorities of immediate concrete measures looking to a rectification of the situation. The famine in essential consumer goods in free China can be relieved only by delivery into China of such goods—and this can be accomplished only by a comparatively large increase in the number of transport planes flying between India and China and the allocation of the additional planes for this particular purpose. Practical measures to activate the moribund front in China would include, as Mr. Hornbeck pointed out in his memorandum of April 3,* more visible and tangible evidences in China, in planes, guns, trucks, miscellaneous munitions, medicines, and military personnel, of our intention to attack the Japanese in and from China, and to help the Chinese fight the Japanese. Those measures would also include some concrete cooperative tactical plan between the American and Chinese military authorities whereby the Chinese forces, which are deteriorating in part because of their comparative inactivity, would undertake offensive actions against Japanese-held positions with the support of our air force.

G[EOERGE] A[TCHESON, JR.]

⁵³ T. V. Soong.

* Copy attached. [Footnote in the original; memorandum printed on p. 43.]

740.0011 Pacific War/3231

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

No. 1065

CHUNGKING, April 8, 1943.

[Received May 6.]

SIR: I have the honor to refer to the Embassy's telegrams no. 451, March 26, 2 p. m. and no. 459, March 27,⁵⁴ concerning Chinese press reaction at Chungking to the recent broadcast speech of Prime Minister Churchill⁵⁵ and to enclose for the Department's information a copy of a despatch⁵⁶ concerning the reaction at Chengtu to that speech submitted by Mr. Drumright, Secretary of Embassy on detail at Chengtu.

Mr. Drumright reports that he has detected among Chinese officials, educators and others with whom he has discussed Mr. Churchill's speech an ill-concealed feeling of disappointment, frustration and even anger. The Chinese people appear to have been led to think in recent months that Germany's collapse would be a matter of a short time and that pressure against Japan would not be relaxed. They are consequently dismayed at the prospect of a further delay in the attempts of their allies to turn their strength against Japan. Mr. Drumright states that the Chinese people appear to be becoming tired of a seemingly endless conflict and that they feel that China is being ignored with respect to assistance which is her due. Mr. Churchill's speech increased that feeling of discontent and disillusionment. The omission of China in the portions of the speech having to do with post-war conferences was also a cause of deep resentment, for the Chinese regard themselves as one of the four major powers and thus entitled to a suitable place in the discussion of world problems. Mr. Drumright concludes that this speech may have destroyed whatever goodwill that may have been built up in China by British propaganda efforts during the past year.

In this connection, the Embassy has noted that the Chinese seem to have been mollified somewhat by the speech given by Mr. Anthony Eden at Annapolis on March 26.⁵⁷ The *Ta Kung Pao* welcomes his speech, terming it "to the point, clear and satisfactory". Mr. Eden's proposals for a new and more efficient international organization to be supported with force and to be an organ for the enforcement of the Atlantic Charter received the warm approval of the Chinese press, which generally was effusive in its praise of Mr. Eden with references

⁵⁴ Neither printed.

⁵⁵ March 21; for full text, see *Onwards to Victory: War Speeches by the Right Hon. Winston S. Churchill* (Cassell and Company, Ltd., London, Toronto, Melbourne and Sydney, 1944), p. 33.

⁵⁶ Not printed.

⁵⁷ Before the Maryland General Assembly; see *Congressional Record*, vol. 89, pt. 2, p. 2737.

to his advocacy of economic sanctions against Italy and his well-known support of the League of Nations.

The Chinese people tend to associate Mr. Churchill with British imperialism, suspicion of which no amount of British propaganda effort is likely to erase from their minds and distrust of which has been increased by the British handling of the Indian problem. The Chinese press is held in strict control in its comment on the Indian situation, but even in the absence of any editorial comment critical of the British it conveys a veiled hostility in its treatment of news despatches. A British Secretary to the Indian-General Agent to China has commented to the Embassy on the tone of the Chinese press in dealing with news from India and has said that at the time of Gandhi's fast he pointed out to the Chinese Acting Minister for Foreign Affairs the attitude of the Government of India toward Chinese press comment on Indian questions simply in order to forestall Chinese press criticism on the subject.

Respectfully yours,

JOHN CARTER VINCENT

793.94/17108 : Telegram

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

CHUNGKING, April 9, 1943—9 a. m.

[Received 12:15 p. m.]

515. I have had a discussion with Acting Foreign Minister⁵⁸ in regard to the subject of Department's 428, April 1, 6 p. m. He states that Chinese Government is not now concerned regarding Japan's "new China policy" in occupied China and I find other Chinese officials of like mind. He described Japan's "new China policy" as one of appeasement. He cites as significant Tojo's recent address [to] Jap residents in Shanghai, when he instructed them to treat Chinese as equals and as brothers other than as conquered people, and the action, presumably taken on Tojo's instructions, in changing Jap special service officers in China into liaison officers for maintenance of relations with Chinese officials. The appeasement policy, he states, is not now a matter for concern but if the war in the Far East is prolonged and if as a result Chinese in occupied areas become disheartened this policy might prove effective. He states that Japan, with the large resources now at its command, is growing stronger and that there is a very real danger that Chinese in occupied China may become impressed with this fact and be influenced by the appeasement policy to the point that they may cooperate with the Japs. With regard to increased use of puppet troops by Japan, he states that situation is not perturbing,

⁵⁸ K. C. Wu, Chinese Political Vice Minister for Foreign Affairs.

that Japs must still maintain close surveillance of puppet troops but that those troops may be influenced in their attitude by the circumstances outlined above.

I incline to the belief that Dr. Wu's views are a reflection in some measure of recent discussions in Executive Yuan Cabinet meetings and possibly in the Supreme National Defense Council. The connection made between possible effectiveness of Jap appeasement in occupied China and the feeling that the war is being unnecessarily prolonged because of Allied concentration on the European rather than the Pacific theatre of the war is obviously another attempt to put forward Chinese claim for active operations in the Pacific theatre. However, I feel that, rightly or wrongly, there is a degree of sincerity behind the views expressed.

The Chief of military intelligence, expressing his views without knowledge of the views outlined above by Acting Foreign Minister told me that the Jap appeasement policy had come too late to be effective among the civilian population in occupied China and that there was little to be feared from increase in puppet troops. He said that there had been no defections of military or such officials from here to the Nanking régime but admitted that some Chinese officials in minor positions and businessmen had, for family reasons, recently found their way back to Shanghai and that some Chinese of prominence in occupied areas had been forced to appear to join the Nanking régime. He said that Chinese here were not impressed with Tojo's recent attempts to give face to Wang Ching-wei.

While recognizing that the development of Jap policy in occupied China cannot be lightly dismissed as insignificant, I do not feel that it is cause for serious concern.

VINCENT

893.796/320

The Commanding General, Army Air Forces (Arnold), to the Adviser on Political Relations (Hornbeck)

WASHINGTON, April 10, 1943.

DEAR MR. HORNBECK: In reply to your letter of April 3, copy attached,^{58a} regarding the employment of American trained Chinese Air Corps pilots, definite plans have been made in this connection.

The formation of one Chinese Group, each, of fighters and dive bombers will be completed this year. These units will be trained and employed under General Chennault's direction. The expansion of these units will be governed by combat operations and the flow of supplies into China.

^{58a} *Ante*, p. 44.

Eighty Chinese pilots have been graduated from our Flying Training Command schools under the present program, and this group of pilots should constitute a good nucleus for the activation of the initial units. Sound brigading of these units with units of our own Air Force should produce favorable results.

Sincerely,

H. H. ARNOLD
General, U. S. Army

740.0011 Pacific War/3219 : Telegram

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

CHUNGKING, April 24, 1943—6 p. m.

[Received April 25—11:25 a. m.]

596. Following paragraph is summary of Military Attaché's weekly review of military situation:

Chinese communiqués have carried numerous accounts of renewed fighting but it is believed that successes claimed represent simply re-occupation of area vacated by Japanese. There was no evidence of coordinated Jap offensive in this theatre. Isolated and small scale engagements took place in Shantung, Honan, Kiangsi, Hupeh, Hunan, and Kwangtung provinces. In western Yunnan drive undertaken by several thousand Jap soldiers moving from Mangshih, southwest of Lungling, was reported checked by Chinese. General Hata, commander of Jap forces in China, returned to Nanking from inspection trip in North China.

My interpretation of recent military encounters in China which Chinese report in large number is that they are continuation of type of warfare that has prevailed in China for past several years. The Chinese giving away before superior force are always ready to re-occupy points evacuated by Japs or to drive Japs from places when garrisons are weakened by withdrawals and to engage Jap foraging units. These harassing tactics have no major importance but they do in a measure prevent Japs from complacent consolidation of positions and from making much profit from various minor positions.

There are widely divergent interpretations of Jap Cabinet changes. Wang Peng-sheng, advisor to Generalissimo on Jap affairs, interprets them as final move prior to war against Russia and is of opinion that Japan will attack Russia before June with initial seizure of North of Sakhalin Island. Chief of Military Intelligence does not accept this prediction. He suspects an offer of peace negotiations presumably to China by Shigemitsu⁵⁹ and the appointment of Ando⁶⁰ to Home Affairs and Tojo's taking over Education Ministry as precaution against

⁵⁹ Mamoru Shigemitsu, Japanese Minister for Foreign Affairs.

⁶⁰ Lt. Gen. Kisaburo Ando.

unrest in Japan. Others anticipate renewed efforts to reach amicable understanding with Russia and to persuade Russia to make peace with Germany. For further views see Embassy's 585, April 23, and 587, April 24, 11 a. m.⁶¹

Japanese radio broadcasts have reported that on April 20 Wang Ching-wei addressed an appeal to Chiang Kai-shek to abandon resistance and join with Nanking régime in a "peace move to save the country." It is probable that recent Japanese moves to gain confidence of Chinese in occupied areas may also be utilized in an attempt to weaken Chinese will to resistance through an appeal to Chinese unity and a show of friendship and non-aggressive intention toward China. A Catholic priest recently arrived from Peiping brings report that Japanese plan greatly to reduce their troops in North China, substituting therefor Chinese puppet troops and to have Wang Ching-wei remove his seat of Government to Peiping. Fact that North China has been returned to Chinese will then be widely advertised. I do not believe this campaign will have any appreciable effect on Chinese in control of Government here and little upon Chinese in general. I do not believe however that primary significance Shigemitsu's appointment as Foreign Minister is to be found in Japan's plans for carrying out its "new China policy"—its "China appeasement policy" as the Chinese Foreign Office describes it.

Japan may have decided to attack Russia but it is not believed that Cabinet changes can be interpreted as evidence of such decisions and positive indications of an intended attack are lacking here. The Chinese fluctuate between prediction of an imminent Russo-Japanese war and a Russo-Japanese entente. They seem intent on having one or the other. It will be recalled that at regular intervals since June 1941, there have been predictions of war, including that of the Generalissimo who told Ambassador on July 4, 1941 that Japan would attack Russia in 2 weeks. Recently Chinese have strongly suspected that Japan and Russia were about to make a deal. There has been no apparent factual basis for any of these predictions.

VINCENT

760C.61/1061 : Telegram

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

CHUNGKING, May 1, 1943—10 a. m.

[Received 10:37 a. m.]

632. Reference my 616, April 29, noon [*midnight*].⁶² General Wang Peng-sheng, close adviser to the Generalissimo on Japanese af-

⁶¹ Neither printed.

⁶² Not printed.

fairs, in recent conversation with a member of my staff, expressed the belief that America should move at once to ensure that British Government takes a firm attitude toward the Sikorski⁶³ Government forcing it to forego further disruptive action and to placate the Russians as far as possible. He argued that unless the Soviet Union was supported in this matter it would slacken the fight and turn its thoughts toward a separate peace. He maintained that the matter of which Polish Government rules Poland is one for decision after the war and that dissatisfaction and defection on the part of the Sikorski Government is unimportant compared to even a slight slackening of Russian participation in the United Nations effort.

Wang's emphasis upon the importance of placating Russia was somewhat explained when he went on to urge that Russia should be persuaded to open up a second front against Japan with full American and Chinese cooperation. He argued that Japan could now be crushed much more quickly than Germany but if it were allowed sufficient time to consolidate gains and coordinate its economic and political framework more completely it would before long become even harder to crush than Germany.

VINCENT

740.0011 Pacific War/3227

The War Department to the Department of State

SUMMARY OF TELEGRAM NO. 170 OF MAY 5, 1943 RECEIVED BY THE WAR DEPARTMENT FROM THE MILITARY ATTACHÉ AT CHUNGKING

Following is submitted by Colonel DePass: A report from a questionable source indicates that at recent conferences in Nanking between Japanese, Puppets and Chinese communists the Japanese promised the conquest of China during 1943; to permit the incorporation of Sinkiang, Shensi and Kansu communist area in to the U. S. S. R.; to support puppet control; and to begin in June all-out China operations with attacks on Kunming and Sian and thereafter to converge on Chungking (Note: The above report was rated by Colonel DePass as C-4 meaning a fairly reliable source and a doubtfully true report).

His comment is that certain conditions render credence to the report such as the Chinese admission of concern toward the attitude of the 8th Route Army, a report from an observer in the northwest, Tokyo's promise of an important victory, gradual reinforcements in Burma and the present fighting in Taihengshan. He believes that Japan has sufficient forces in China to complete her conquest, if undertaken,

⁶³ Gen. Wladyslaw Sikorski, Polish Premier and Commander in Chief with headquarters in London.

in less than seven months but he interprets present indications as meaning that Japan will continue her strategic defense in the China Theater, increase her war production, consolidate present holdings, improve her economic conditions and develop all available resources.⁶⁴

*The Chinese Minister for Foreign Affairs (Soong) to Mr. Harry Hopkins, Special Assistant to President Roosevelt*⁶⁵

[WASHINGTON,] May 13, 1943.

DEAR HARRY: At the Casablanca conference when Far Eastern matters were discussed, China was not consulted as there were no representatives present. Only after decisions were made, were they communicated to the Chinese Government.

At the present interallied conferences,⁶⁶ when the war against Japan is discussed, I trust I may be called in to participate so that the Generalissimo may be continuously consulted. I shall appreciate it if you could do anything to ensure it.

Yours sincerely,

TSE VUN SOONG

740.0011 Pacific War/3243 : Telegram

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

CHUNGKING, May 15, 1943—5 p. m.

[Received May 15—2:39 p. m.]

717. During a call on the Generalissimo this afternoon, General Chiang stated to Vincent and me, with the Acting Foreign Minister interpreting, that if during the discussions in Washington between the President and Mr. Churchill there should arise any question in regard to China or to the Pacific area necessitating consultation with Chinese representatives, it was his desire that both Madame Chiang and Dr. T. V. Soong act as such representatives. General Chiang asked that this be considered an official request by the Chinese Government.

ATCHESON

⁶⁴ In his telegram No. 646, May 4, noon, the Chargé in China (Vincent) cabled: "I do not credit rumor reported in Military Attaché's telegram number 170 of May 5 and I concur in general with his comment."

⁶⁵ Copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

⁶⁶ President Roosevelt and Prime Minister Churchill, with their advisers, were conferring in Washington May 12-25, 1943 (Third Washington Conference). Mr. T. V. Soong, Chinese Minister for Foreign Affairs, participated as the representative of Generalissimo Chiang Kai-shek. The records of this conference are scheduled for publication in a subsequent volume of *Foreign Relations*.

*Intelligence Report by the Naval Attaché in China (Brown)*⁶⁷

[CHUNGKING, May 21, 1943.]

Comment: The following memorandum was prepared by a member of this office in close contact with certain responsible officials.

To a considerable extent it confirms what the Naval Attaché has observed to be the opinion of a considerable cross-section of officialdom, although perhaps not as frankly expressed as set forth here.

CHINESE OFFICIAL'S OPINION OF THE ADVANTAGES OF A
CHIANG-ROOSEVELT MEETING

In conversation with one of the officials who is very close to Generalissimo Chiang Kai-shek, he said he failed to understand the reason why no effort had been made to arrange a meeting between Generalissimo Chiang and President Roosevelt. Much publicity and importance had been given to the Churchill-Roosevelt parley. He frankly expressed his belief that it was the intention of the United Nations to crush Hitler in Europe before they come to China's assistance and that it might be that the leaders of the United Nations regard the China front as unimportant and that the Chinese are capable of carrying on the war against the Japanese invaders indefinitely and that a little delay would not seriously jeopardize her position. He, in a way, admitted that this is probably the best plan and that the leaders of the United Nations are doing everything possible to help win the war. He even went so far as to express his opinion that failure of President Roosevelt to invite Chiang Kai-shek to a conference might be attributed to the fact that the Allied Leaders regard China as an inferior power and that no possible advantage could be gained by such a meeting.

When assured that that was not the case and that everything is being worked out and will be carried out when the time is ripe and that all military strategy must be kept secret until the time [is] ripe to execute them, he acknowledged the soundness of the plan and he hinted that a Chiang-Roosevelt meeting would serve to bolster up the ebbing morale of the Chinese people. He stated that before the attack on Pearl Harbor, Chinese morale was at its lowest and on the outbreak of the Pacific War, the Chinese people looked forward to better days and that more help would be given China by the United States and other Allies. The loss of Burma and the closing of the Burma Road was a serious blow to Chinese morale and with the lapse of almost one and one half years, during which time only a fraction of Lease Lend materials trickled into China by air transport, Chinese morale took

⁶⁷ Copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

another downward dive. He pointed out that a Chiang-Roosevelt meeting, even if nothing important is discussed other than a friendly exchange of greetings, would enhance Chinese morale to such an extent that it would be even better than all the Lease-Lend materials the United States could get into China. If such a meeting could be brought about at the invitation of President Roosevelt, Chinese officials and the Chinese populace would be made to realize that at least such powerful nations as the United States recognize that China still has a place, if not an equal place, in the ranks of the Allied Council, and on the strength of this, China would gain politically and financially. Restoration of confidence that help is within the horizon would tend to cause merchants and traders to reflect that with Allied financial and material backings the day would not be far off when goods would be flowing freely and in abundance into blockaded China. If the people can be brought into this frame of mind, confidence in the strength of Chinese currency would prevail and prices of various commodities would automatically be lowered.

He admitted that Chiang could have asked for such a conference but that he refrained from doing so on account of "face", which is still the predominating force in the Chinese political and social world.

740.0011 European War 1939/29511 : Telegram

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

CHUNGKING, May 22, 1943—3 p. m.

[Received 5 p. m.]

760. Churchill's address on May 19, before the Congress⁶⁸ is characterized as "encouraging" by the Chinese press which has, of course, given it considerable prominence and comment. However, from remarks volunteered by Chinese officials in private conversation, it is apparent that the speech has failed to dissipate the cynicism with which British intentions and promises in regard to the question of the defeat of Japan seems generally to be viewed in official Chinese circles here. Unfortunately it does not appear likely that this attitude will alter materially until some concrete British military success against the Japanese demonstrates that the defeat of Japan at the earliest possible moment is a British objective for which, in due course, they will strive whole-heartedly and with every possible resource.

ATCHESON

⁶⁸ *Congressional Record*, vol. 89, pt. 4, p. 4619.

740.0011 Pacific War/3275 : Telegram

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

CHUNGKING, May 28, 1943—9 a. m.

[Received 12:10 p. m.]

800. Embassy's 782, May 25, 7 p. m.⁶⁹ According to an authoritative source, a very highly placed Chinese official in Washington has telegraphed a very high military and political leader here that the American Naval and Military Attachés and the British Military Attaché are reporting to Washington that the situation created by the Jap military operations in western Hupeh is not serious and requesting that pressure be brought upon the Attachés to report affirmatively in regard to the seriousness of the situation. It is disturbing to all of us here that confidential reports should find their way so far afield and with such a result, the implications of which are obvious.

As regards the situation in western Hupeh, it is my understanding that the point of view of our Naval and Military Attachés is in general, that a Jap military operation involving from 50 to 70,000 men has, of course, serious implications especially as Chinese resistance appears to be weak, the Japs are progressing some 18 miles a day and one Jap thrust appears to be directed along the south bank of the Yangtze towards Santowping, sometimes called "the gateway to Chungking" because of the situation there of the principal Chinese fortifications guarding the approach to the Gorges. The Attachés and other observers, however, believe that if the Japs were actually undertaking a drive on Chungking they would necessarily employ a much larger force and would choose a route presenting less obstacles in the way of difficult terrain. The Attachés are inclined to the opinion that the prime [motive?] of the drive in Hupeh (as well as in Hunan) is economic; that is, the clearing of the river to some point west of Ichang and the denial of its use by the Chinese for transportation of produce, the operations in Hunan being designed to encircle and cut off from Free China the great Hunan "rice bowl". Of course if the fortifications at Santowping are reduced by the Japs they will have made much more open the Yangtze route to Chungking and the Chinese will have suffered an important reverse which may have serious implications for the future.

It is understood that detailed reports on the situation are being despatched daily to their respective departments by the Naval and Military Attachés.

ATCHESON

⁶⁹ Not printed.

740.0011 Pacific War/3274 : Telegram

*The Chargé in China (Acheson) to the Secretary of State*⁷⁰

CHUNGKING, May 28, 1943—4 p. m.

[Received 8:26 p. m.]

803. It may be of interest to the Department for me to set forth my impressions, after 3 weeks in Chungking, of the situation in China, as follows:

While the determination of General Chiang Kai-shek, and his supporters in the policy of resistance to continue to hold out does not seem to be lessening, they feel a situation which in many aspects is out of control and which in practically all aspects is seriously deteriorating. Economically the deterioration is rapid and is leading toward something that may eventually spell disaster. The military situation is slower than the economic, but there is a vicious circle in the relationship between the two by which each is worsened. Thus lack of food is affecting the troops more adversely than the lack of ammunition has affected them in the past 5½ years (the price of rice in Kweilin and Chungking has doubled since the beginning of the year) and as current Japanese military operations in Hunan and Hupeh Provinces, one of China's important "rice bowls", is being circled and lost to Free China. If the Japanese success continues, if the Chinese suffer further serious reverses on other fronts, or if the new crops are not good it is not unlikely that there may be precipitated a crisis which will further greatly lessen Free China's power of endurance and resistance.

As a result of these circumstances and combination of circumstances Chinese morale in general is progressively being lowered. In the past it has seemed that if the morale of China's leaders were sustained the morale of the soldiers and of the people would remain at a fair level. At present one of the greatest dangers is that the already low morale of the troops and of the people may break, irrespective of the determination of some of the leaders to hold together the shaky economic and military structure. The common people and the common soldiers, never safely distant from the margin of subsistence, cannot live on the belief in an eventual Allied victory or on the wishful thinking in regard to the post-war world which helps sustain some high officials, and the people must have food and clothing and the soldiers must have in addition to these things guns, ammunition, artillery and adequate air support. There is a limit to their extraordinary endurance and resistance; and even greater than Chinese capacity in those respects is

⁷⁰ Copy transmitted to Lauchlin Currie, Administrative Assistant to President Roosevelt.

their capacity, when faced with the inevitable, for accepting things as they are.

A tendency on the part of the military as well as other Chinese to make the best of the realities is apparent in the growing trade and smuggling between unoccupied and occupied China. With this tendency unchecked—and if the Japanese should refrain from further advances—there is a strong probability of a further extension between Free and occupied China of the armed truce which already exists in many places, with trade across the static lines expanding, with the Japanese and the puppets peacefully consolidating their position as they have in Manchuria, and with Free China becoming economically dependent upon the other area.

In any case the existing situation cannot endure very much longer. A number of intelligent Chinese of affairs with sober, conservative and balanced minds have variously estimated to me that under present conditions China “can last” only from 6 months to a year. If they were speaking only in terms of inflation and currency depreciation their estimates might be considered by the optimistic as exaggerated, although it is difficult to conceive that population can or will continue indefinitely to bear up under an inflationary process whereby the cost of living has become eighty times what it was in 1937 and continues to rise some 10% a month. Already there is agrarian unrest in a number of widely scattered places. In Provinces of Hupeh, Hunan, Kweichow, Kwangtung, Fukien, Kansu and Ningsia (due to conscription, requisitioning of grain for troops, taxes in kind and corruption on part of local tax and other officials) except that in Kwangtung famine is chiefly responsible and in Fukien bad crops (and there is increasing desertion of soldiers and petty officials to puppets. In Shansi Province General Sun Tien-ying with 30,000 troops not long ago reported[ly] went over to puppet [régime?]).

The magnitude of the problem should not be underestimated if it is to be met. It is a part of their deterioration in morale and their appreciation and acceptance of realities that they have come to adopt an attitude of sitting back and waiting for the United States and Great Britain to resolve their grievous and increasing difficulties by crushing Japan. Chinese officialdom's highly developed interest in postwar problems is an example of this psychological process; they seem to seek, any of them, escape from these realities, which they cannot cope with, into a vague but roseate future which unfortunately can never materialize unless something drastic is done successfully about the present.

Foreign loans will no longer help. Political gestures are limited in usefulness to their effect upon leaders, who for most part actually

lead only in a negative way; political gestures do not help the troops or the people.

The inviting of General Chiang Kai-shek to a conference with the President and Mr. Churchill recently suggested by Mr. Churchill as a possibility would undoubtedly give much encouragement to Chiang himself as he feels that he has lost face with his officials and peoples because he has not received such invitation in the past. The recapture of Burma would give great encouragement to the soldiers and the people, but any concrete effect on the economic situation, after the first upswing towards new confidence, would be long delayed during the process of restoring the Burma Road and placing it in effective operation. Even then its actual economic benefits to the people as a whole would be meager because of the minor role foreign consumer goods play in the lives of agrarian peasants.

Wong Wen-hao, Minister of Economic Affairs, and some other economically minded Chinese have advanced the theory that if the Chinese could recapture and hold Ichang and the hinterland leading into southern Hupeh and Hunan, and if they could also hold the Hunan area, the flow of produce and cotton into Free China would soon reduce the cost of food and clothing by 50%. The current Jap military successes on the Hupeh-Hunan front (Embassy's 800, May 28, 9 a. m.) are daily rendering any such possibility all the more remote as a result of Chinese efforts alone. The question arises whether there is any action which China's allies might take in their own interest toward rehabilitating the morale of the Chinese troops and toward improving the situation as a whole. Would it for example be practicable for American and British military authorities to work out some tactical arrangement with the Chinese military whereby the latter, with adequate British and American air support, would undertake determined offensive action to attack and recapture at least one or two economically and militarily important points such as Ichang, Hankow, etc.? As regards military matters one can of course do no more than offer for possible consideration by those competent to judge and decide, such suggestions as occur to an observer who perceives the necessity that something be done. There would seem to be little doubt that forthright and significant military action having direct bearing upon the situation within China must be taken in the near future if China's most valuable potentialities for the common war effort are not to be lost to us.

The Naval and Military Attachés request the [*that*] paraphrases of this telegram be furnished the War and Navy Departments.

ATCHESON

124.93/568

*Memorandum by the Second Secretary of Embassy in China (Davies),
Temporarily in the United States*

[WASHINGTON,] May 29, 1943.

General Stilwell has discussed with me the request which he is now making for the detail of four Foreign Service officers to him.

The request arises from the General's realization that he is confronted constantly with complicated political, economic and psychological problems in the prosecution of the war against the enemy, and in his relations and in his commanders' relations with Chinese officials from the Generalissimo on down, British civil officials in India, British administrators in Burma, the various Burmese factions, the free Thais, the Vichy French, the free French, and the Indochinese; that his staff officers—professional military men—are for the most part not equipped to collect and evaluate information nor advise in these matters; and that he must perforce turn elsewhere for this vital intelligence and advice.

OSS, BEW and OWI are placing at his disposal experts in economic and psychological warfare. Some of this personnel has had political reporting experience in the Far East. These experts will collect information by various means and two small groups of them will constitute Boards of Research and Analysis in American Army Headquarters at Chungking and New Delhi. All incoming information will be funneled into the Boards of Research and Analysis which will cross-check and evaluate material and will prepare basic studies for the General.

The two Boards will be headed by OSS representatives who will operate under orders issued by General Stilwell or his deputy in this undertaking. The Boards will technically be OSS organizations and so will report back to General Donovan. I anticipate, however, that BEW and OWI representatives will also sit in on the Boards. If they do, they will probably keep their Washington offices informed of such findings of the Boards as may be of appropriate interest.

General Stilwell has orally charged me with supervising this political, economic and psychological intelligence and warfare program. As a Foreign Service officer somewhat anxious over the encroachment of new Government agencies in the field of foreign affairs, I feel not only as the General does—that the detail of the four officers requested will be of very real assistance to him in his tremendously difficult and delicate task—but also that the five of us working in close

coordination under the guidance of the Ambassador at Chungking and Chief of Mission at New Delhi can give some political direction to this program and forestall errors which representatives of the new agencies might otherwise commit. The five of us would of course keep the Embassy or Mission informed regarding the progress of the program and report intelligence of interest.

The request for the detail of Mr. Emmerson⁷² is based on the General's urgent need for a Japan expert at his Chungking headquarters. He is at present without one. If the General's request for Mr. Emmerson is complied with, Mr. Emmerson will probably be designated as a member of the Board of Research and Analysis and will probably be called upon to give advice in Japanese political, economic and psychological matters.

The request for Mr. Service⁷³ is based upon a pressing need for an officer with an excellent command of the Chinese language and one possessing wide contact with and knowledge of Chinese officials. General Stilwell knows Mr. Service and is particularly anxious to have him on his staff. While Mr. Service would probably spend most of his time in Chungking on the Board of Research and Analysis and provide information and advice to General Stilwell in his highly delicate relations with the Generalissimo and other Chinese officials, Mr. Service would probably also be used for occasional special investigation trips into the interior.

Mr. Ludden⁷⁴ will be of great use operating in Yunnan Province along the Burmese, Thai and Indochina borders, facilitating the relations between American units in these areas and the local Chinese officials. He will also be most valuable in advising OSS and Army units in their contacts with free Thais, British administrators in Burma, Burmese, the French factions and Indochinese. Finally, he will have first-hand contact with intelligence sources channeling in from Burma, Thailand and Indochina.

Mr. Krentz⁷⁵ would function in New Delhi as a member of the Board of Research and Analysis, as an advisor in political matters to General Stilwell's deputy Chief of Staff at New Delhi, as a political advisor to OSS and OWI organizations in India, and as a liaison between the Board and the Mission.

⁷² John K. Emmerson, Third Secretary of Embassy in Peru since returning from Japan.

⁷³ John S. Service, Third Secretary of Embassy in China.

⁷⁴ Raymond P. Ludden, Consul at Kunming and subsequently appointed Second Secretary of Embassy in China, at Chungking.

⁷⁵ Kenneth C. Krentz, Consul at Bombay and previously at Mukden.

893.00/150384

*Memorandum by the Second Secretary of Embassy in China (Davies),
Temporarily in the United States*

[WASHINGTON,] June 7, 1943.

STRUGGLE FOR POWER IN CHINA

This noon I had luncheon with Mr. David Lu, Central News representative in Washington, and Major General Whang Ping-hung, Chinese Air Attaché.

During the course of the conversation Mr. Lu mentioned a rumor which had come to his attention to the effect that the Generalissimo had opposed General Stilwell's proposal for the training and equipping of 600,000 Chinese troops because General Chiang realized that the general who commanded these troops would be strong enough to challenge his position. Mr. Lu stated that such a rumor was false and vicious.

General Whang, to my surprise, smiled tolerantly and said something to the effect that Mr. Lu did not realize the complexity of Chinese politics.

Mr. Lu then asked why the Generalissimo did not appoint one of his own trusted lieutenants, such as General Ho Ying-chin or General Chen Cheng. Thereupon General Whang said that while high officials of the Government talked in public about there being only one leader—Chiang Kai-shek—in private they were interested only in furthering their own power. He stated that Chen Cheng, who is in command of the divisions now being trained and equipped in Yunnan, would, when the training program was completed, be the strongest figure in China and that he would probably then bring T. V. Soong back to be the political head of the Government.

JOHN DAVIES, JR.

893.20/736

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

No. 1254

CHUNGKING, June 12, 1943.

[Received July 3.]

SIR: I have the honor to enclose a memorandum of conversation of May 18 between Mr. Vincent and General Hsiung Shih-hui, recently head of the Chinese Military Mission to the United States and probable new head of the National Planning Board. Mr. Vincent suggested that this memorandum might be held until General Hsiung's appointment should be gazetted, but it is believed that it is of sufficient

interest to send it forward without further delay, whether or not General Hsiung actually receives the appointment in question.

As pointed out in the memorandum, the reported decision of the Generalissimo to appoint General Hsiung as head of the National Planning Board is another indication of General Chiang's determination to make China militarily strong and self-sufficient and of the Kuomintang's cynical attitude toward the possibility of a real "new order" after the present war.

Incidentally, General Hsiung is reported to be, following his return from the United States, strongly anti-American and to have developed an inclination to align himself with members of the so-called "Peace Party" who favor making an endeavor at some appropriate time to come to terms with the Japanese.

Respectfully yours,

GEORGE ATCHESON, JR.

[Enclosure]

*Memorandum of Conversation, by the Counselor of Embassy in China
(Vincent)*

[CHUNGKING,] May 18, 1943.

General Hsiung Shih-hui was at last evening's Foreign Office dinner and having learned confidentially that he is to replace Dr. Wang Shih-chieh as head of the National Planning Board, I took the occasion privately to congratulate him and to comment on the importance of the post because of the need for constructive post-war planning on a broad scale. During the conversation I remarked that, in my opinion, the great problems of China's development, in the order of their importance, were: improvement of agriculture, finance, communications and industry. General Hsiung took immediate exception, saying that China's first problem was military security particularly in the north; and that that was the reason the Generalissimo was putting him, a military man, at the head of the Board in the place of the present civilian.

This decision is another indication of the Generalissimo's determination, shown in his recent book, *China's Destiny*, to make China militarily strong and self-sufficient, and of the Kuomintang's disillusioned attitude toward the possibility of a real "new order" after the present war. There is a general distrust and suspicion of Russia and an expectation that China and Russia will find themselves in conflicting positions in the post-war period.

JOHN CARTER VINCENT

893.918/145 : Telegram

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

CHUNGKING, June 23, 1943—9 a. m.

[Received June 25—3:55 p. m.]

999. It may be of interest to Department in connection with problem of evaluating news despatches from China for us to describe briefly and comment upon certain aspects of the operation of the Chinese censorship and publicity system.

While there appear to exist no formal or definitive rules governing censorship, the general policy appears to be to prevent the sending out of China of any material which conceivably might cause the government political, diplomatic or economic embarrassment. Special attention seems to be directed toward avoiding (1) embarrassment in internal political matters through the republication in the local press of news despatches to foreign countries on Chinese domestic affairs and (2) embarrassment in regard to China's international, political and economic position through publication abroad of news which might tend to weaken the case for China's stability and strength which Chinese representatives have built up in Washington, London, etc.

As regards domestic policy, subjects, of which no mention is permitted in the news despatches of the foreign correspondents, include Communist-Kuomintang differences; the existence of cliques or quarrels within the Kuomintang; the movements and personal life of the Generalissimo (except for occasional carefully edited special articles in which reference to him may be only [in] honorific terms); the circumstances surrounding the writing of the Generalissimo's book *China's Destiny*, and direct quotations therefrom; and subjects which might cast reflection upon China's Government and administrators such as corruption of public officials.

As regards economic matters the subject of inflation is a forbidden one specifically and generally; price levels, the prices of food and other ordinary consumer goods (unless reference can be made to something officially published) and descriptions of the economic situation as being "serious" or "critical", etc., are forbidden. An example of the extent to which restrictions are applied is that correspondents may not mention that any Chungking street is dirty.

As regards foreign affairs, mention is prohibited of any subject which might conceivably offend or cause offense to an ally (such as discussion of the Indian situation and Chinese reaction thereto; mention of possible divergence of views among China, Britain and Russia with regard to Tibet, Mongolia and Turkestan and questions of the rendition of Hong Kong and Kowloon). There is sporadic but not continuous prohibition of discussion of Soviet-Jap relations.

Various devices some bordering on trickery are employed to impel correspondents to write the kind of press despatches desired by Chinese authorities. One such was the calling out of the correspondents at 1:30 a. m. on May 24 (Embassy's 782, May 25, 7 p. m.⁷⁶) to cause them to send home, without opportunity to check accuracy or veracity of the material, urgent radiograms that the Japs had begun large scale drive on Chungking. This device was repeated about June 3 when Publicity Bureau of Foreign Office routed correspondents out of bed at 2:30 a. m. and handed them a release describing China's "great victory" against the Japs (one request [*result?*] of the latter occasion it is understood was an editorial in the *New York Herald Tribune* describing the fighting along south bank of the Yangtze as a second Stalingrad and a battle that might be a turning point in the war).

Contentions by correspondents that this censorship policy may in the end do this country untold injury when the truth in regard [to] unhappy conditions here becomes generally known abroad have been ineffective assumably because the policy is dictated from the highest places. The correspondents in general are friendly to China and we believe their opinion this respect is basically sound. We have not perceived on their part any desire to belittle China, to disparage the [various?] aspects of China's struggle for survival or merely to carp at something they do not like. They realize that censorship and publicity policies of the Chinese are important among the [apparent omission] which have created in the United States and elsewhere or which perhaps that is falsely colored and extravagantly distorted. And they recognize the possibility that when true picture eventually emerges there will result a disillusionment on the part of China's friends at home or abroad that in their chagrin over those deceptions that have been practiced upon them these erstwhile supporters of China will lack the perspicuity to retain their faith in the many worthwhile and admirable aspects of China's political, military and social structure.

Despatch follows.⁷⁷

ATCHESON

741.93/182

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] June 23, 1943.

The Chinese Foreign Minister, Dr. T. V. Soong, called at his request. He said that Foreign Minister Anthony Eden of Great Brit-

⁷⁶ Not printed.

⁷⁷ Despatch No. 1284, June 23, not printed.

ain had urged him a number of times to visit London and that he thought he would go over during the latter part of July.

The Minister then proceeded to inquire of me what I thought about the possible general attitude of the British toward China and the Far East. I replied that at first blush it would seem to me that Great Britain would have no other motive than one of friendship and friendly cooperation in all mutually agreeable and desirable ways in the future. Dr. Soong stated that he desired to speak in strict confidence to the effect that he and his associates were afraid that Great Britain might undertake to play Japan and China against each other during coming years. I said that, of course, he was a better judge of these matters than I could be, but that really it was my feeling that the Japanese should live on rice and mighty little of that during the next twenty-five to fifty years until a complete reformation had taken place with the ringleaders of militarism in that country promptly executed at the end of the war. I added that in these circumstances there would be very little of Japan left to set off against China in the sense of playing one country against another. I reiterated that I was merely speaking offhand with the knowledge that he knew far more about these matters than I could profess to know.

I then took up the matter of the visit of his sister, Madame Chiang Kai-shek to this country, emphasizing what a wonderful impression she had made and the great good she has rendered to both our countries. I said that it was my belief that she and the Generalissimo would live to see a great renaissance take place in China in all important lines of human endeavor, such as swept over Europe like a sunburst during the fourteenth and fifteenth centuries. Dr. Soong expressed his appreciation for these hopes and the interest in his country which I and my associates in the State Department, he added, have shown consistently during past years. I said further that the State Department had recommended each of the loans to China during recent years. Dr. Soong said he felt most appreciative, as did his Government.

I stated that we were keeping the attention of the Speaker and other leaders in Congress focused on the desire of China for removal of the Exclusion Act and the establishment of equality with other nations under immigration laws;⁷⁸ that as a result of so many people everywhere in this country as well as the rest of the world thinking abnormally at the present time we may suffer delays in securing favorable action on the legislative proposals in question but that in any event we shall keep these proposals thoroughly alive among the leaders in Congress, in the hope that at the earliest practicable date they may receive favorable consideration. The Foreign Minister said that he

⁷⁸ See also pp. 769 ff.

understood the situation perfectly and that he knew how earnestly we were pressing these matters and how sincerely we were interested in them.

Dr. Soong repeated a number of times his desire to call again before going to Great Britain in the hope that I might offer some further suggestions to aid him in his conversations with British officials. I referred to the principle of self-preservation which brings together and holds together all the peaceful nations in their common struggle to defeat and destroy the Axis powers and added that this same principle will be of only secondary importance to all countries after the war, and that if rational statesmen cannot be convinced of this evident fact, the world will have a dark future indeed. I concluded by saying that we must not become discouraged in our efforts to persuade all statesmen of the truth of this obvious fact and to induce them to act favorably upon it, et cetera.

C[ORDELL] H[ULL]

740.0011 Pacific War/3308 : Telegram

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

CHUNGKING, June 29, 1943—2 p. m.

[Received June 29—1:09 p. m.]

1052. Embassy's 782, May 25, 7 p. m.; 911, June 13, 9 a. m.; 975, June 21 [20], 1 [11] a. m.⁷⁹; 999, June 23, 9 a. m.; and 1032, June 27, noon [midnight].⁸⁰

A number of foreign press correspondents have just returned from a two weeks journey to the Yangtze front arranged at their request by the Chinese authorities. They saw no fighting and at such late date were unable to obtain comprehensive or important first hand information in regard to the operations which took place during late May and earlier in June but a number of interesting aspects of the general picture appear to have come to light.

While they were told by the Chinese military that Chinese casualties were 10,000 in round numbers and Japanese casualties were 30,000, it is generally understood (and the Military Attaché so believes) that on the Yangtze sector there were never more than 24,000 Jap troops in action as against some 110,000 Chinese forces and that the number of Jap casualties was approximately 7,000. The success of the Chinese troops and the American Air Force which has resulted into a virtual return to the May *status quo* was due in part—and with much credit to the American Air Force—to coordinate Sino-American action. It

⁷⁹ Not printed.

⁸⁰ Latter not printed.

was also due in part to the fact which now appears that the Jap divisions included an appreciable admixture of puppet Chinese soldiers, the Military Attaché's estimate of the ratio in some of the units being one Jap to two Koreans and six Manchurians. (Whether Wang Ching-wei troops actually took part in combat seems to be unknown.) This appears to have been the first Sino-Jap fighting outside of Manchuria on any scale in which puppet troops participated to a considerable extent.

ATCHESON

124.93/562

The Secretary of War (Stimson) to the Secretary of State

WASHINGTON, June 29, 1943.

DEAR MR. SECRETARY: Political factors have proved to be of major importance in the prosecution of the war in the China-Burma-India Theater. Lieutenant General Joseph W. Stilwell, Commanding General of the U. S. Army Forces in that theater, is therefore urgently in need of having trained political observers assigned to his command to supplement the work done by his military intelligence.

General Stilwell has indicated the names of certain Foreign Service Officers who would be of assistance if sent to the theater for this purpose, as follows:

To be sent to the U. S. Embassy, Chungking, China for detail to the Commanding General, U. S. Army Forces, China-Burma-India:

Raymond P. Ludden
John S. Service
John K. Emmerson

To be sent to the U. S. Mission at New Delhi for detail to the Commanding General, U. S. Army Forces, China-Burma-India:

Kenneth C. Krentz

The duties of these officers would not only be to collect Chinese, Indian and Japanese information of interest to General Stilwell, but also to be of service to commanders in the field in matters affecting relations with the various Burmese factions, British colonial administrators, the Free Thais, the French in Indo-China and the Indo-Chinese.

Any assistance that you can give in connection with this matter will be greatly appreciated.⁸¹

Sincerely yours,

HENRY L. STIMSON

⁸¹ In his letter of July 26, the Secretary of State replied that the War Department's request for detail of Raymond P. Ludden, John S. Service, and John K. Emmerson was approved, but that Monroe B. Hall was substituted for Kenneth C. Krentz for reasons of health.

*President Roosevelt to Generalissimo Chiang Kai-shek*⁸²

[WASHINGTON,] June 30, 1943.

[No. 2917.] I have concluded a series of very satisfactory talks with Mme. Chiang Kai-shek which she will tell you about.

I have told her of my anxiety to meet you sometime this fall. I think it is very important that we get together. If you agree with this I suggest some place midway between our two capitals. I would appreciate very much hearing from you relative to this proposal.

ROOSEVELT

740.0011 Pacific War/3308 : Telegram

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

WASHINGTON, July 6, 1943—4 p. m.

859. Your no. 1052, June 29, 2 p. m. With reference to statement that the Japanese divisions included an appreciable admixture of puppet Chinese soldiers, estimated at the ratio in some units of 1 Japanese to 2 Koreans and 6 Manchurians, it is assumed that what was referred to was Japanese-commanded Manchukuo units rather than Japanese "divisions". In view of the political interest which attaches to this subject, the Department would be interested in any further clarification you may be able to make, also in an estimate of the proportion of Japanese Army, Manchukuo Army, and intramural Chinese puppet (if any) units engaged in the operations in question.

HULL

740.0011 Pacific War/3338a : Telegram

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

WASHINGTON, July 6, 1943.

863. Please deliver to Generalissimo Chiang Kai-shek the following message from the President:

"Six years ago today, July 7, 1937, the Japanese launched at Lu-kouchiao a new and brutal attack on China. Under your outstanding leadership the Chinese armies and people immediately rose to the defense of their country, and for 6 years they have used every weapon in their power to strike back ceaselessly at the wanton aggressor.

The valor and sacrifices of the Chinese people in the cause of freedom have inspired the people of the United States. We know, as you do, how much must be done before the enemy is crushed and peace and justice are established throughout the world. Our people are joined in a common cause. Our arms are mounting, our strength is rising, our determination stands firm, and our triumph is inevitable.

Franklin D. Roosevelt"

HULL

⁸² Copy of telegram obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

893.00/15053

*The Ambassador in the United Kingdom (Winant) to the Secretary of State*⁸⁴

No. 9973

LONDON, July 6, 1943.

[Received July 13.]

SIR: I have the honor to enclose a copy of a memorandum furnished the Embassy by the Foreign Office, giving a summary of recent reports on the deterioration in the economic and political situation in China which have been received from the British Embassy in Chungking in answer to certain questions put by the Foreign Office.

In summary, it would appear that the British Embassy in Chungking believes that if Japanese attacks in China are not substantially increased, the maintenance of the present situation seems to depend more on the crop prospects than on anything else. It is not believed that there will be a Chinese attack on the Japanese, so that if it should suit the Japanese to remain quiet, an easy state of undeclared peace might develop. However, it is the opinion of the British Embassy in Chungking that as long as the United States Air Force operates in China, the Japanese will presumably have to react and complete quiet on the Chinese front would apparently be impossible. It is felt that if a serious food shortage should occur, it would probably lead to disturbances which might assume proportions leading to loss of control over wide areas by the Central Government.

It was stated by a high official of the Foreign Office to a member of my staff that the somewhat more optimistic view outlined in the present memorandum is apparently an effort on the part of the British Embassy in Chungking to present, in response to the Foreign Office's request, all aspects of the situation rather than the purely negative one reported previously in this Embassy's Cable No. 3791 of June 4, 1943, 11 a. m.⁸⁵

Respectfully yours,

For the Ambassador:
W. J. GALLMAN,
First Secretary of Embassy

[Enclosure]

The British Foreign Office to the American Embassy in the United Kingdom

MEMORANDUM

As a result of recent reports indicating a deterioration in the situation in China, a number of questions were recently put to His

⁸⁴ Copy transmitted to the Chargé in China in Department's instruction No. 351, July 27.

⁸⁵ Not printed.

Majesty's Ambassador at Chungking. The questions and their respective answers are set out below.

(a) Q. Is the conciliatory policy towards Wang Ching-wei announced by the Japanese having any appreciable effect on the situation in Free China?

A. So far as can be judged by His Majesty's Embassy the new policy towards the Nanking Government is having little or no effect in Free China. It is suggested that the Japanese price control and system of food distribution are, at any rate in Shanghai and main centers in North China, more effective than the Chinese system. This is said to be producing some effect in occupied China. Cases of people returning from Free to occupied China have always been quite common and this sort of thing is not regarded in China in the same way as it would be in Europe. This tendency may increase.

(b) Q. How much substance is there in the Japanese claims of defections to Nanking on the part of units of the Chungking forces?

A. There have certainly been cases of defection. In some cases, for instance in that of General Pang Ping Hsun, it is almost certain that defection took place only after his force was surrounded. There have no doubt been some cases when even this excuse could not be given, but these so far have been confined to persons of little importance. The Embassy think therefore that there is some substance in the Japanese claims although they are no doubt exaggerated.

(c) Q. Is the greater measure of independence which the Japanese allege that Wang Ching-wei has been given likely to lead to any form of understanding between Chungking and Nanking?

A. In the view of His Majesty's Embassy the answer is "no." There has always been some contact between the two régimes and this is maintained but does not appear to grow closer.

The Embassy add that there has been improvement in the situation since the recent Japanese setback on the Yangtse front. Isolation of China from the outside world is, as was always expected, producing its inevitable effect. But on the whole the fall in morale is slower than might be expected and if the pressure on the Chinese is not substantially increased they can, the Embassy think, continue resistance on the present scale.

To sum up, provided the weight of the Japanese contacts is not substantially increased the maintenance of the present situation seems in the opinion of His Majesty's Embassy to depend more on crop prospects than on anything else. A Chinese attack on the Japanese may be excluded, so that if it should suit the Japanese to remain quiet, an easy state of undeclared peace might result. Nevertheless, as long as the United States Air Force operates in China the Japanese will presumably have to react and complete quiet on the Chinese front would

apparently be impossible. A serious food shortage if it occurs would probably lead to disturbances which might assume proportions leading to loss of control over wide areas by the Central Government. Present crop prospects are not bad but it is too early to judge.

[LONDON,] July 5, 1943.

740.0011 Pacific War/3326 : Telegram

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

CHUNGKING, July 7, 1943—5 p. m.

[Received July 9—11:40 a. m.]

1119. It is an interesting circumstance, although perhaps not of special significance, that a "mass meeting" here last evening July 6 in honor of sixth anniversary of China's war of resistance held under the auspices of the All-China Troops Comforting Association was organized with the usual habiliments of a United Nations "Big Four" celebration and enjoyed a considerable measure of Soviet participation.

Beneath a cluster of small flags of the United Nations high over the stage were hung large Chinese, American, British and Soviet flags and thereunder large colored portraits of Generalissimo, President Roosevelt, Mr. Churchill and Mr. Stalin. Presentation of gifts were made to Chinese Minister of War and some other Chinese officials, General Stilwell, a representative of the head of British Military Mission, and Major General T. Y. Gubarevich described as "Chief Soviet Adviser to the National Government". The Soviet Ambassador⁸⁶ was not present, but Soviet Embassy was represented by its Military Attaché and several members of his staff (British Ambassador was also absent being represented by the Chinese Secretary of British Embassy⁸⁷). The only speeches delivered by foreigners were those by General Stilwell, the representative of the head of the British Military Mission and General Gubarevich. General Gubarevich did not mention specifically China's resistance against Japan, but he did speak of the hardships suffered by China and the Chinese troops due to the war and ended his speech with a vigorous "10,000 years to all democracies" and "10,000 years to the Chinese Army".

Repeated to Moscow.

ATCHESON

⁸⁶ Alexander Semenovich Panyushkin.

⁸⁷ George Vernon Kitson.

*Generalissimo Chiang Kai-shek to President Roosevelt*⁸⁸

CHUNGKING, July 9, 1943.

No. 630. Your telegram of 4th July [30th June?] has been received. And I am in full accord with your suggestions. Madame Chiang has informed me in detail of her conversations with you. I am delighted with the results and that we see eye to eye on many questions. I anticipate with pleasure our meeting in the near future. For many years I have been wishing that we could discuss together in person various problems of mutual interest. I venture to suggest that any time after September would be most convenient and suitable to you would be possible for me. Should necessity arise, however, for our meeting before then, I should appreciate your letting me know at least a fortnight in advance of my departure.

CHIANG KAI-SHEK

740.0011 Pacific War/3305 : Telegram

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

WASHINGTON, July 13, 1943—4 p. m.

892. The War Department feels that the information provided in your telegrams numbered 999,⁸⁹ 1012,⁹⁰ and 1022⁹¹ would be of great value to General Stilwell. It is accordingly requested that, if you perceive no objection, you furnish him the substance of these telegrams, as well as of any succeeding ones on similar subject matters, but without indicating that you are doing so under instructions from the Department.

HULL

740.0011 Pacific War/3340 : Telegram

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

CHUNGKING, July 16, 1943—11 a. m.

[Received July 19—1:44 p. m.]

1198. Department's 892, July 13, 5 [4] p. m. We are furnishing General Stilwell's headquarters (General Stilwell is absent from Chungking) paraphrase of our 999, June 23, 9 a. m. The substance of our 1012, June 24, 2 p. m. was previously communicated orally to General Stilwell's Chief of Staff, General Hearn, and he sent General

⁸⁸ Copy of telegram obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

⁸⁹ June 23, 9 a. m., p. 64.

⁹⁰ June 24, 2 p. m., p. 257.

⁹¹ June 26, 9 a. m., not printed.

Hearn a comprehensive memorandum summarizing the information in that telegram and in subsequent telegrams on same subject. We shall continue to keep General Stilwell or General Hearn fully advised in regard to our information in this and other pertinent matters.

It may be added that we some time ago instituted a practice of sending to General Stilwell copies of despatches from OWI field officers on subjects of possible interest and of communicating to him such of our own information as we considered might be of value. We are also sending him copies of our monthly political review and plan as well to furnish him copies of the Embassy's newly instituted monthly economic review when it has been got under way. Furthermore there is now under discussion a projected formation of a joint intelligence committee to comprise representatives of General Stilwell's headquarters, the Embassy and BEW. Later we anticipate development in addition of an international intelligence committee out of which it is hoped will accrue benefits to General Stilwell's headquarters, the Embassy and other American Government agencies here.

ATCHESON

740.0011 Pacific War/3345 : Telegram

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

CHUNGKING, July 19, 1943—9 a. m.

[Received July 21—2: 32 p. m.]

1221. Department's 859, July 6, 4 p. m. It is believed that the term "Jap divisions" is correct as, according to the Acting Military Attaché, a number of Jap divisions include units which contain a mixture of Jap and puppet troops including the third division normally based on Hankow which took part in the fighting in June in the Santowping area. Assumption that the puppet members of this and perhaps other units engaged in recent fighting in the Hupeh-Hunan sector was based on information from Chinese intelligence that when the third division, which had been engaged in the 1942 Chekiang-Kiangsi campaign, was reformed in November of that year some of its units were composed of Japs, Koreans and Manchurians in the ratio named.

Upon further and considerable detailed inquiry into the matter, it appears that Chinese intelligence has not been consistent in regard to the activities of Manchurian and Nanking puppet troops, possibly because battles and campaigns are almost always colored with much

propaganda. Admiral Yang now states that he does not think that any Manchurian puppets participated in the recent Hupeh-Hunan fighting but that Nanking troops were employed by the Japs for "secondary defense duties" which in most cases comprised the guarding of supply lines and garrison duties. He names specifically the twenty-ninth Nanking puppet division as having guarded supply lines and states that this division has Jap officers acting in advisory and staff capacities down to and including the infantry company and that only "a few if any" Koreans are among the staff and advisory officers. There are stories in regard to the Hupeh-Hunan fighting to the effect that some of the puppets furnished intelligence to Central Government troops which facilitated the bombing of Jap supply lines; that some puppets deserted to the Central Government, and that others broke under attack and caused Jap retirements. These stories have not been confirmed but it is generally accepted that the Japs were weakened because of the number and character of puppet troops either operating as distinct puppet units or as component parts of Jap contingents.

Reverting to the question of the presence of Manchurian troops in Central China, the Acting Military Attaché has furnished us a summary of a memo by Chinese G-2 ⁹² dated January 14, '43, in regard to "enemy trained Chosen, Formosan and Manchurian troops" in which is mentioned (a) a report dated November 16, '42 from General Chen Cheng (Chinese commander in the recent Hupeh-Hunan operations) that the "elite" [Japanese?] troops in the Wuhan area had been replaced by mixed troops of Japs, Koreans, Formosans and Manchurians; (b) that on November 17, '42 the third Jap division was replenished after the Chekiang-Kiangsi campaign on the basis of 1 Jap, 3 Koreans and 6 Manchurians; (c) that, according to a report from General Chen Cheng dated December 5, '42, many Manchurians were in the Jap thirty-ninth division (portions of which also took part in the recent fighting); that on January 2, '43 some 20,000 troops arrived at Chinkiang from the northeast on December 4, '42 and that about 30 per cent of them were Japs and 70 per cent Manchurians.

It would seem from these reports that considerable numbers of Manchurian soldiers intermixed individually or by groups with Jap troops have at some time had station or have operated in Central China. As for the recent campaign, it would seem that the puppet troops engaged therein, as far as they have [been] identified, were Nanking puppets.

ATCHESON

⁹² Military Intelligence.

893.00/15064 : Telegram

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

CHUNGKING, July 20, 1943—9 a. m.

[Received July 21—8:13 a. m.]

1231. We were informed by good authority some time ago that Chiang Kai-shek had drawn up 21 regulations for the conduct of Chinese; that among them was one to the effect that Chinese associating too much with foreigners be put under surveillance as a first step; that General Chiang instructed Dr. Wang Chung-hui, one time Foreign Minister and now Secretary General, National Defense Council, to have the regulations circulated to certain officials and to see that they were enforced; but that Wang had successfully argued against their enforcement, especially the regulation relating to association with foreigners.

In an airgram dated July 12 the Consul at Kweilin⁹³ indicates that he has positive information of the Chinese Government in June having issued instructions to officials in Kwangtung and Kwangsi and that in future only Chinese specially trained and qualified would be authorized to treat with foreigners and that those not specially designated who continued to associate with foreigners would be placed under surveillance. Ringwalt states: "In the preamble to the instruction it was pointed out that foreign military and civilian officials were arriving in China [in] vastly increasing numbers, and the view was expressed that, provided no precautionary steps were taken, the foreigners might be given false and misleading information and might thus be unable to obtain a true picture of conditions in China. Local Chinese critical of the administration in Chungking profess to be convinced that the Chinese have fears above all that the American public may become aware of the true state of affairs in China, and that American public opinion in respect of China may undergo a severe action from wholehearted and uncritical admiration and sympathy to apathy and cynicism. Whatever may have been the purpose of the instruction issued by the Executive Yuan, the results in Kwangsi have not been entirely happy. The more timid of the officials who might be in possession of accurate knowledge and be able to be of great assistance to this Consulate in preparing its reports are now out of town or ill whenever a member of the consular staff attempts to visit them, and the more brazen, fortified by the presumption that they will be protected in case they get into trouble, are inclined to retail to all who will listen every rumor, true or false, which may tend to place the Chinese Government in a bad light. Accurate, unbiased information is becoming increasingly difficult to acquire."

⁹³ Arthur R. Ringwalt.

The Embassy is inquiring of the Consulate whether it has, actually, positive information in the premises. Meanwhile, it is pertinent to comment that the report that the Generalissimo has drawn up regulations of such nature is in itself a somewhat ominous indication of a trend that seems to be increasingly followed by reactionary leaders in China. (See Embassy's 999, June 23, 9 a. m., in regard to censorship; 995, June 22, 4 p. m.,⁹⁴ in regard to the Generalissimo's book *China's Destiny*; and despatch no. 1355, July 17,⁹⁴ on the subject of the police surveillance of foreigners at Sian which are unhappily reminiscent of traditional Jap police methods.)

There appears to be little open surveillance of foreigners at Chungking. Occasionally foreigners are stopped on the streets by police agents and asked to identify themselves and we are informed that General Tai Li has agents among the servants of the various diplomatic missions, including ours, to keep a check on visitors and to pick up what information may be garnered from conversations and waste baskets. At the time of the report of the drawing up by the Generalissimo of his 21 regulations, a Chinese organization which had arranged a tea party for the foreign correspondents here suddenly canceled its invitations.

Whether or not such regulations have been issued, we have been aware for some time that our Chinese friends (especially those below the highest brackets of rank) are far less given to frank discussion of China's international, political and economic problems than formerly and that anything in the nature of criticism of the Chinese Government or its leaders is rarely heard except from a very few of the higher personages such as Dr. Sun Fo who, as the son of Sun Yat Sen, seems to feel that he can afford occasionally in a mild way to speak his mind. Another liberal, Sun Yat Sen's widow, is also not always backward in speaking in private, somewhat frankly on some subjects to her friends, but she is cautious and is apparently under some forms of restraint. Mme. Sun has told me, for example, that she has wanted to go to Lanchow for the summer but that she was afraid that "permission" would not be given; and she so far continues to remain in Chungking. In the course of a conversation, Dr. Wang Chung-hui asked me what I thought of China upon my return after 4 years, and when I mentioned in the course of my reply that I was somewhat surprised and a little disturbed at the seemingly increasing trends toward Fascist practices he said with some confusion that some minor things were necessary in wartime and hastily changed the subject.

We shall expect in due course to report further to the Department on developments in this general trend.

ATCHESON

⁹⁴ Not printed.

740.0011 Pacific War/3344: Telegram

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

CHUNGKING, July 20, 1943—11 a. m.

[Received July 21—8:55 a. m.]

1233. As of interest connection with Embassy's 1221, July 19, there is set forth below a summarized tabulation of commanders and strength of the puppet armies as of May 20 this year furnished by Admiral Yang:

Section (a) Wang Ching-wei clique.

1. Commander-in-Chief of Kiangsu-Chekiang-Anhwei area (Jen Yuan-tao) 65,200 troops.

2. Commander-in-Chief of First Group Army (Li Chang-chiu) and north Kiangsu headquarters (Fuh Suang-yin) in joint control Kiangsu and Hwai River area north Anhwei 62,900 troops.

3. Kiangsu-Honan area jointly controlled by Hu Yu-king (20,600 troops), Commander-in-Chief Kiangsu-Honan border area, and by Sung Liang-cheng, Commander-in-Chief of Second Sector Army and Director Kaifeng (Honan) pacification headquarters (41,500 troops).

4. Wuhan headquarters (Wuchang-Hankow-Hanyang) under Yang Kwei-yi, 21,595 troops.

5. Kwangtung headquarters under Chen Chu-yao 44,500 troops.

Section (b) North China clique.

Commander-in-Chief Hopei-Shantung-Shansi area, Chi Hsieh-yuan, 97,700 including 63,000 troops, 34,700 militia.

Section (c) Inner Mongolia-Suiyuan clique.

Wong Yin and Li Shou-hsin, controlling jointly the Suiyuan-Chahar area, 10,280 troops (4500 troops Mongolian army, 2400 west Suiyuan union army, 3300 others).

Section (d) approximate total puppet troops:

Wang Ching-wei clique, 256,300; Chi Hsieh-yuan of North China clique, 97,700; Inner Mongolia-Suiyuan clique, 10,260. Grand total 364,200 (not including puppet soldiers in Japanese divisions).

ATCHESON

The Chinese Minister for Foreign Affairs (Soong) to Mr. Harry L. Hopkins, Special Assistant to President Roosevelt^{94a}

[WASHINGTON,] 21 July, 1943.

DEAR HARRY: My departure has been delayed till tomorrow morning owing to engine trouble.

^{94a} Copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

Generalissimo cabled me that it would be awkward for United Nations' relations, and Sino-Russian relations in particular, if he goes thru Siberia without seeing Stalin. Therefore he prefers the rendezvous to be somewhere else than Alaska.

If the President desires to advance the date of the meeting to some time in August or September, he would be able to make it, provided he is given two weeks' notice.

He requests me to proceed to London according to programme, but to be in readiness to return & participate in the conference whenever the President desires it.

Hoping that you will have a nice little rest in New Hampshire

Sincerely

T. V. [SOONG]

811.91293/371 : Telegram

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

CHUNGKING, July 24, 1943—midnight.

[Received July 25—12:08 p. m.]

1291. Gunther Stein, correspondent for the *Christian Science Monitor* and also the Institute of Pacific Relations, has shown us a letter dated July 22, which he has received from the Vice Minister of Information as follows:

"It has come to our knowledge that Mr. T. A. Bisson of the International Secretary [*Secretariat?*] of the Institute of Pacific Relations has in the latest issue of *Far Eastern Survey* asserted:

'The early promise held out by the war for the broadening and deepening Chinese unity through the achievement of liberal political and economic reforms has not been fulfilled. Two Chinas have definitely emerged, each with its own Government, military forces, political and economic institutions. One is generally called Kuomintang China and the other Communist China. But the terms Feudal China and Democratic China more accurately express the actualities as they exist today.'

Pending the receipt of a satisfactory explanation from the IPR for the publication of the foregoing passage, we regret that we cannot extend to you, as the Chungking correspondent of the Institute, the privilege of transmitting your message by Chinese Government radio facilities. Your message is herewith returned."

Stein states that he himself has in no sense any responsibility for the article of which a portion is quoted above and which is an exaggerated and out of focus description of the situation. He asks that IPR be informed that he has been suspended as correspondent therefor. He has not been suspended as correspondent for the *Christian Science Monitor*.

ACHESON

893.44 Chiang Kai-shek/117 : Airgram

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

[Extract]

CHUNGKING, August 2, 1943—9 a. m.

[Received August 20—5 p. m.]

A-22. There are persistent reports, largely from foreign news correspondents, that Madame Chiang Kai-shek has returned to this country with something of an anti-American bias. The principal basis for this alleged feeling on her part is assumed to be that she did not as a result of her visit obtain from the American Government all that she wanted or all that Mr. Willkie promised her. Other and somewhat vague reasons ascribed are that because of some development or developments in the United States during the latter part of her visit she "realized" that she had overstayed her time and made one or two speeches too many; also, that the unfortunate circumstances of her homecoming after a hazardous and tiring journey during which she was airsick a great part of the time (Embassy's 1091, July 5, 10 a. m.⁹⁵) increased her sense of disappointment and frustration.

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ATCHESON

711.93/536 : Airgram

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

CHUNGKING, August 2, 1943—10 a. m.

[Received August 20—5 p. m.]

A-23. Embassy's airgram No. A-22, August 2, 9 a. m. Hollington Tong, Vice Minister of Information, who accompanied Madame Chiang to the United States, is reliably reported by a number of sources to have stated since his return to Chungking that he found "no war spirit" in Washington, a very curious remark to come from a resident of Chungking. The correspondent of the *New York Times* is one of those who has informed us that he has of late sensed a definite anti-American atmosphere in some Chinese official circles in Chungking. He states that the Chinese resented the Institute of Pacific Relations article mentioned in our 1291, July 24, midnight, 1943, and also a recent article in the *New York Times* by Hanson Baldwin on the military situation in the Far East in which Mr. Baldwin stated among other things that Sino-Japanese skirmishes were magnified by the Chinese as large battles. (The military spokesman at a press confer-

⁹⁵ Not printed.

ence recently attempted to refute statements in the Baldwin article and his remarks were later widely distributed in printed form.) During the past week at a press conference the correspondents were given a lecture by the Information Minister in regard to their reporting and the United Press correspondent states that he was recently told by an important Chinese official that the American correspondents in China "had done China more harm than good" by their reporting activities since the outbreak of Sino-Japanese hostilities in 1937. Inquiries by foreign correspondents in regard to the Kuomintang-Communist situation have been obviously resented by Chinese press and other Party line officials.

The assumption of one competent observer is that Party line officials, in their attempt to build a new Great Wall of censorship about the deteriorating situation in China, are becoming more and more resentful against Americans and the United States because of their own—and typical present day Chinese—intolerance of the slightest criticism and because of their fear—and perhaps realization—that heavy criticism of the Chinese Government is probably inevitable when the truth becomes known. A tragic aspect of these circumstances is, in the Embassy's opinion, the possibility that American public disillusionment in regard to China, if and when it occurs, may be so great that it may becloud China's virtues in the minds of China's friends who have been most effective in furthering Chinese hopes for continuing and increased aid, thus losing to China the help China needs and to us the war potentialities which this country holds—or should hold—for our cause. (Please see Embassy's 1357, August 2, noon,⁹⁶ containing a message for OWI from its local office.)

ATCHESON

103.9166/5393 : Telegram

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

CHUNGKING, August 2, 1943—noon.

[Received 5 : 03 p. m.]

1357. Informational for Taylor,⁹⁷ Lattimore,⁹⁸ OWI, from Fisher.⁹⁹ My No. 267. Bisson's article in latest *Far Eastern Survey* and Hanson Baldwin's column on China which appeared in July 20 *New York Times* have greatly agitated Chinese Government circles. Highlights of both were apparently cabled by Chinese Ministry of Information, New York office.

⁹⁶ *Infra.*

⁹⁷ George E. Taylor, Deputy Director of Pacific Area, Office of War Information.

⁹⁸ Owen Lattimore, Deputy Director of Pacific Operations, Office of War Information.

⁹⁹ F. M. Fisher, OWI representative in China.

At weekly press conference July 28, Government spokesmen in heated off record comments branded Bisson's allusions to "two Chinas"—"democratic" Communist China and "feudalistic" Kuomintang China—as completely false. Said Bisson either completely misinformed or had malicious intent toward China. Said Institute of Pacific Relations for past year had been growing steadily more anti-China.

Spokesmen announced that as the result of Bisson article Ministry was withdrawing privilege of transmitting material free to IPR over XGOY. Later one Ministry official was overheard remarking that as a result of Bisson article and IPR attitude "it will be very embarrassing" for Bisson's Secretary Edward C. Carter¹ on his scheduled Chungking visit.

Baldwin article was cited at press conference as another example of how American writers seem to want to hurt China. His assertion that Chinese military communiqués could not be believed was especially irritating. Spokesman professed to be puzzled why despite all aid Allies had given China foreign writers persisted in "throwing mud in China's face."

In July 23rd press conference spokesman read prepared criticism of Baldwin's article. Neither article nor criticism were published locally, but July 24th *Ta Kung Pao* editorially attacked article's derogatory reference to western Hupeh fighting.

Meanwhile, Baldwin's article in *Reader's Digest* was splashed by Domei which officials here see and doubtless exacerbated official sensibilities. Japanese propaganda to China during the past few days has seized gleefully on both articles as typical of racial superiority Americans feel toward "all Asiatics". The implied sympathy reversed their original line that the articles represented the real truth about Free China.

Contrasted to official Chinese reaction, private conversations with fairly representative intellectuals, none of whom even suspected of leftist tendencies, indicate considerable quiet satisfaction over these and Pearl Buck's article in May 10 *Life*. A minor Government official, Kuomintang member trained in America, said he welcomed such criticism in America since nobody dared offer slightest criticism here. Although Baldwin's assertions in some cases are exaggerated there is such dissatisfaction with things as they are that little exception was taken to these points.

We do not seek to influence this critical tendency in American press but offer the observations that it gives Axis propaganda an excellent divisive wedge and that criticism would be more effective if it coin-

¹ Secretary General, Institute of Pacific Relations.

cided with a successful operation in Burma or really large scale victories in the Pacific.

Attention Barrett:²

In view of the above be careful not to quote Baldwin in a way to make him appear twofaced. Might be wise to drop him for a while.

ATCHESON

893.918/147

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

No. 1415

CHUNGKING, August 2, 1943.

[Received August 21.]

SIR: I have the honor to refer to the Embassy's telegram no. 999, June 23, 9 a. m., in regard to the general question of Chinese censorship; to the Embassy's telegram no. 1291, July 24, midnight, in regard to recent difficulties encountered by the Chungking correspondent of the Institute of Pacific Relations; and to the Embassy's airgrams nos. A-22 and A-23 of August 2, 1943, in regard to a reported growth of anti-American feeling among Chinese in official life, including Madame Chiang Kai-shek.

As regards especially the question of censorship, it is an interesting indication of the general situation that, according to foreign press correspondents, but one news despatch in regard to the Kuomintang-Communist situation (Embassy's 1325, July 28, 6 p. m.³ and previous) filed by correspondents for sending abroad has been passed by the Chinese censors. This was a news despatch written by the Chinese chief correspondent of Reuter's which contained an account of an interview with General Ho Ying-chin which was extremely critical of the Communists and in which General Ho accused the Communists of attacking Central Government troops and seizing their military supplies (the time of these attacks was not specified). Feeling that it was unfair to allow only this one article to be dispatched abroad, the *New York Times* correspondent as head of the Foreign Newspaper Correspondents Association at Chungking, together with two other representatives of the Association, called on July 28 on Dr. Hollington Tong, Vice Minister of Information, to discuss this and other matters adversely affecting the correspondents as a whole. Dr. Tong purported to agree with Mr. Brooks Atkinson that correspondents other than Reuter's should be permitted to send despatches on the Kuomintang-Communist situation and promised to see that Mr. Atkinson received permission to report on the situation to the *New York Times*.

² Edward W. Barrett, Chief of Cable-Wireless Section and Overseas Bureau, Office of War Information.

³ *Post*, p. 295.

Mr. Atkinson interprets this statement to mean that he would be allowed to send only a one-sided "Kuomintang" story; he states that he has no intention of writing and forwarding to his paper a propaganda article of that nature.

At the instance of Mr. Gunther Stein, Mr. Atkinson and his two colleagues questioned Dr. Tong in regard to the ban placed on Stein's filing despatches for IPR because of the T. A. Bisson story in a recent issue of the *Far Eastern Survey* critical of the Kuomintang. Dr. Tong said that pending the receipt of some explanation from IPR, in which China felt that she was to a certain extent a "stockholder", Mr. Stein would not be permitted to use Chinese radio facilities which are made available once each week to foreign correspondents free of charge for a so-called "Voice" broadcast of a story. Mr. Stein will be permitted to send material by mail and by Press Wireless (IPR cannot pay cable charges).

Respectfully yours,

GEORGE ATCHESON, JR.

740.0011 Pacific War/3378

*Memorandum of Conversation, by the Chief of the Division of
Far Eastern Affairs (Ballantine)*

[WASHINGTON,] August 5, 1943.

Sir George Sansom^{3a} called at his request. He said that he wished to keep us informed of developments in London which might be of interest to us in relation to the Far East. He handed me an informal memorandum which dealt with a conversation between Dr. Soong and Mr. Eden on July 28, 1943. It reads as follows:

"Dr. Soong said that the Burma Campaign was the most important and most immediate question for China. He also declared *inter alia* that China had no territorial ambitions but he hoped we should recognize that Tibet was part of the Chinese dominions. The Secretary of State replied that our attitude had been that Tibet must be recognized to have autonomy under Chinese suzerainty. It was eventually agreed that we should state our position in regard to Tibet in a confidential memorandum.⁴

"Mr. Eden, in response to a question about the British Government's ideas on collective security for the future, having outlined those ideas then assured Dr. Soong that one of the aims of the post-war system envisaged by the United Kingdom was to restrain Japanese aggression and to see a strong China. The British government would make their full contribution to those ends."

He said that thus far the foregoing was all that had developed of interest since Dr. Soong's arrival in London.

^{3a} British Minister in the United States.

⁴ For further correspondence concerning Tibet, see pp. 620 ff.

Sir George referred also to an address delivered by Mr. Anthony Eden at the "Salute to China" Meeting, held in Royal Albert Hall on July 7, 1943. Sir George pointed out that in that address Mr. Anthony Eden had stated:

"From time to time our enemies suggest, either to China or to ourselves, that Great Britain does not wish to see China strong.

"Such suggestions are no doubt intended to be mischievous.

"They are, in fact, ludicrous, and I am sure that our Chinese friends are the first to resent them.

"The truth is that the interest of the British Empire has always lain in the existence of a strong and united China.

"So it has been in the past, so it will be in the future.

"Without a strong and united China there is no prospect of lasting stability in the Far East."

(Copies of the speech have already been circulated in the Department.)

Sir George said that he hoped from time to time to bring to my attention items of information of interest.

J[OSEPH] W. B[ALLANTINE]

740.0011 Pacific War/3409

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

No. 1450

CHUNGKING, August 9, 1943.

[Received September 1.]

SIR: I have the honor to enclose a copy of despatch No. 19, July 26, 1943,⁵ from the Consul at Kweilin, in regard to Japanese economic warfare policy in south China. Material in this despatch supplements information transmitted in the Embassy's telegram No. 1270, July 23, 8 p. m.;⁶ in despatch No. 1419, August 3, 1943,⁷ subject: "Conditions in Kwangtung Province", and in airgram A-28, August 4, 9 a. m.⁸

The despatch from the Consul at Kweilin may be summarized as follows:

The form of economic warfare waged by the Japanese against south China is simple and effective. By offering generous profits, they are able to obtain enormous and increasing quantities of foodstuffs and raw materials in exchange for superfluous manufactured goods, including looted products, and depreciated and often counterfeit currency. In this activity, they are abetted by unscrupulous Chinese merchants and corrupt Chinese officials. The apparent major aim of the Japanese, in which they have been conspicuously successful, has been to create an artificial food shortage through blockade of imports,

⁵ Not printed.

⁶ *Post*, p. 434.

⁷ *Post*, p. 300.

⁸ *Post*, p. 441.

hoarding, and leakage to occupied territory, thus bringing about malignant inflation and resultant economic depression. The Japanese scheme of economic warfare in south China has been as demoralizing as a military occupation and successful results have been achieved at a minimum cost in men and money.

Attention is invited to the last paragraph of page two of the despatch, in which the Consul comments on the smuggling of salt and wolfram from the unoccupied to the occupied areas and in which the following statement appears: "Competent official observers of the U. S. Government have even reported having seen wolfram laden trucks owned by the National Resources Commission making their way eastward from the railhead at Kukong." The Embassy is instructing the Consul to investigate further.

Respectfully yours,

GEORGE ATCHESON, JR.

740.0011 Pacific War/3379: Telegram

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

CHUNGKING, August 12, 1943—3 p. m.

[Received 4:34 p. m.]

1435. The latest report of Japanese peace maneuvers is (a) that a Chinese, so far identified only by surname Liu, came here from Shanghai a week ago with a proposal that if the Generalissimo would consent to discussing peace terms, the Japanese as an earnest would withdraw from Canton and vicinity and (b) the Generalissimo replied that he would not give consideration to the proposal unless the Japanese should also withdraw from Hankow and vicinity. This story comes to us through a very reliable channel from an authoritative source. For that reason, we give it some credence and also because it is not improbable that the Japanese, in the light of developments in Europe and Southwest Pacific, may be seriously exploring ways to resolve the "China incident" by political means and that they have endeavored to lay ground work therefore by their so-called "soft policy" toward [Nanking].

The last most recent report of Japanese peace proposals was connected with Wu Kai-hsien who is now said to have returned to Nanking (Embassy's airgram A-28, August 4).⁹ According to our informant the Generalissimo, while having no thought of making any kind of peace with Japanese, sometimes gives the appearance of not being unresponsive to such proposals because the fact that they are made to him gives him, against the background of the generally de-

⁹ *Post*, p. 441.

teriorating situation here, a sense of power. We are inclined to give credence to this explanation. We consider the matter of interest chiefly because it may offer a sidelight upon the possible lines of thought which circumstances [are?] impelling Japanese leaders to follow.

ATCHESON

103.9166/5522 : Telegram

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

CHUNGKING, August 13, 1943—11 a. m.

[Received 10:57 p. m.]

1444. Embassy's 1357, August 2, for OWI.

1. We have hesitated to offer comment on the somewhat fantastic reaction here to Hanson Baldwin's article in the August *Reader's Digest* until we could submit something fairly definitive.

This article, following Baldwin's *New York Times* article critical of China's military effort, the IPR article (our 1291) and Pearl Buck's in *Life* about May 13, has caused resentment that is deep and bitter in some of the highest circles and is widespread in varying degrees. It has been the subject of much discussion among higher officials, of a special meeting of Cabinet Ministers and party heads, and of conferences between various officials and the Generalissimo and Madame Chiang. The importance attached to it is also indicated by Madame Chiang's press statement of August 11. Baldwin's repetition of the well known Japanese propaganda line that China is a geographic area and not a nation was especially exasperating to the Chinese. On the other hand, as indicated by Fisher, the legitimate criticism in the article has caused some quiet satisfaction in the more liberal quarters.

Such criticism came as a great shock to reactionary Government and party leaders who are used to hearing China overpraised and many of whom have complacently believed that Americans at home were completely duped by Chinese censorship (Embassy's 999, June 23) and propaganda (including the propaganda of Madame Chiang's visit) and that we, no less than the British, would do almost anything in wooing of China to keep her in war which, for her own sake, she has no intention of abandoning.

As example of the extremes in the situation, the Information Minister when discussing the *Times* article on one occasion was virtually hysterical and his usual fluent English became unintelligible gibberish. Vice Foreign Minister Hoo, a cosmopolitan and experienced diplomat, accuses Baldwin of furthering alleged U. S. Navy desires to divert to

the southwest Pacific aid being sent to China. Others attribute the article to a campaign against repeal of the Exclusion Act.¹⁰

2. In our opinion there is considerable possibility that continued public criticism will have adverse effect on our relations with the Chinese Government in that it will likely increase the present anti-foreign bias which the Generalissimo, Madame Chiang (airgram A-22, August 2) and others seem to have and will turn that bias more and more in our direction.

3. In the expectation that Baldwin's and the other articles may create widespread discussion in American editorial columns and perhaps bring forth further comment critical of China, we venture to suggest that the adverse effect upon our relations might be to some extent counteracted, and that any possible good effects upon the Chinese Government of such criticism might be enhanced, by the issuing by the Department of an informal statement which might take cognizance, in a restrained way, (1) of the unfair aspects of general criticism of the Chinese Government for the situation which various circumstances and factors have conspired to develop, (2) of our own relationship to the cutting off, through our involvement in the war, of the Burma channel to the outside world which is generally considered the cause of some of China's major economic difficulties and which is a lasting cause of Chinese resentment against us, (3) of our expectations of China now and during the war, and (4) of our (necessary) confidence in the future with respect to China: that is, a statement which, by deprecating the criticism, will tend to preserve our relations on a sincerely friendly basis and which, by showing that our Government is fully aware of conditions in China and of the implications in those conditions, might thereby have some beneficial effects on those Chinese leaders who have become content to sit back and wait for us to win the war for them as well as for ourselves.

From the point of view of our observation here, we respectfully suggest that such a statement might generally be along lines as follows: that it is easy to be critical of a distant ally in regard to whose serious problems the American newswriters and public have received little accurate information, that such criticism does not further the general war effort, especially when not constructive; that for 6 years Chinese people have made untold sacrifices to maintain national existence against a ruthless and modernly equipped enemy; that the United States was attacked by Japan because we refused to sacrifice a principle involving China's interests but of course we do not hold this against China and the existence in China now of internal

¹⁰ See pp. 769 ff.

economic and other war time problems does not to any degree make us less friendly toward China but rather increases our own determination to continue and increase our aid; that we appreciate the contribution to war effort which China has already made and have full faith in the ability of China's leaders to increase that effort and make it more effective; that we have faith in the fundamental democracy of Chinese people and in the ultimate wisdom of China's leaders in their task of rebuilding a war torn nation [following?] the democratic principles of Dr. Sun Yat-sen; that we confidently expect that when the inevitable victory is won by increased exertion and sacrifice on the part of China as well as on our and the other Allies' part, the Chinese nation will achieve its deserved place in the post-war family of collaborating nations.

ATCHESON

740.0011 Pacific War/3381 : Telegram

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

CHUNGKING, August 14, 1943—9 a. m.

[Received 12:31 p. m.]

1457. Embassy's 1435, August 12, 3 p. m. Some competent observers here are of the opinion that, in giving consideration to reports of Japanese peace feelers on proposals, we should not be unmindful that since before the outbreak of Sino-Jap hostilities there have been and will continue to be Government officials, who favor the making of some kind of compromise with Japan and that their attitude and activities cannot be completely disregarded at any important juncture, (1) because of the anti-western bias of the Generalissimo, Madame Chiang and a number of the reactionary leaders of the Government and (2) because of widespread suspicion in Chinese Government circles that Great Britain will not, after the crushing of Germany, devote her naval and other resources wholeheartedly to the defeat of Japan, thus making a compromise peace between the Anglo-American Allies and Japan probable (this suspicion extends also in some quarters to the intentions of the United States).

Incidentally Hsiung Shih-hui (Embassy's despatch No. 1254, June 12) has again been mentioned to us, expressly in connection with the visit of Liu reported in the reference telegram, as a protagonist of peace with Japan.

ATCHESON

740.0011 European War 1939/30697 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*CHUNGKING, August 14, 1943—5 p. m.
[Received 11:59 p. m.]

1468. Embassy's 1469, 14th.¹¹ Having in mind the already great mistrust here of Soviet Russian intentions (Embassy's 1438, August 12, 6 p. m., paragraph 2)¹² the references in this despatch in regard to Stalin and Soviet Russia appear to us to be almost in the nature of deliberate propaganda. As the dissemination of such material in China is unquestionably harmful to the cause of unity among the United Nations and therefore to the general war effort, we wonder whether it might not be possible without giving cause for justifiable complaint (especially in the light of the relentlessly and arbitrarily strict Chinese censorship of American news correspondents here) for our appropriate people at home to take steps to see that despatches such as the one in question, especially when their factual basis is nebulous, are not passed for transmission to this country.

ATCHESON

740.0011 European War 1939/30698 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*CHUNGKING, August 14, 1943.
[Received August 15—4 a. m.]

1469. Following are the first 4 paragraphs of a news despatch purportedly written by David Lu, Central News staff correspondent at Washington, under Washington dateline August 12:

"As the Roosevelt-Churchill conference in Quebec draws near disappointment over Stalin's absence and the non-participation of Russia in the forthcoming talks continues to increase. There is little mention here or in Quebec about whether Generalissimo Chiang Kai-shek has been invited to participate or whether Chinese observers will be present at the Quebec conference.¹³

London and Moscow press dispatches received here indicate that Stalin has been invited but that he has expressed 'regret' that he will not be able to attend owing to the present summer offensive. There

¹¹ *Infra.*¹² *Post*, p. 314.¹³ This Anglo-American War Conference met at Quebec, August 11-24, 1943 (First Quebec Conference). Mr. T. V. Soong, the Chinese Minister for Foreign Affairs, representing Generalissimo Chiang Kai-shek, participated in the discussions. For joint statement by President Roosevelt and Prime Minister Churchill, August 24, regarding the Conference, see Department of State *Bulletin*, August 23, 1943, p. 121. The records of this Conference are scheduled for publication in a subsequent volume of *Foreign Relations*.

is still a lot of suspicion and distrust of Russia here and Moscow's aloofness has caused much speculation and apprehension. The same old argument is advanced for Stalin's absence: 'Moscow is not inclined to risk complications with Japan since she is still at peace with Tokyo. By taking part in the proceedings which most logically will include the Pacific war front as well as the European theater.'

It is further pointed out by some critics that Stalin's absence suggests a basic lack of understanding among the United Nations members on the political aims of the post-war period. From this it appears that there would be less misunderstanding if there were a full agreement exchanged between China and the other Anglo-American Allies."

ATCHESON

124.93/562

The Secretary of State to the Secretary of War (Stimson)

WASHINGTON, August 17, 1943.

MY DEAR MR. SECRETARY: Reference is made to the Department's letter of July 26, 1943¹⁴ in which this Department informed the War Department that in pursuance of the latter's request assignments had been approved for detail to the staff of Lieutenant General Joseph W. Stilwell, Commanding General of the United States Army Forces in the China-Burma-India theater, of four Foreign Service officers named in the letter.

The Department feels that these assignments will assist General Stilwell in his theater of war in evaluating and in dealing with political aspects of military problems by providing him with the services of personnel who have had special training and experience in areas within his command.

In this connection and in view of the importance of these political questions and of the close inter-relation between political and military problems especially in the areas in question, the Department is of the opinion that all possible steps should be taken to ensure complete coordination and cooperation between the diplomatic and military establishments in political matters related to military affairs.

The Department feels that, in addition to the assigning of these officers to General Stilwell's staff, much further good can be accomplished in this direction by arranging for the direct exchange at frequent and regular intervals of views and of information between General Stilwell and the ranking political representatives of the United States in India and in China. The obvious benefits which would be derived from frank and comprehensive interchanges of the nature envisaged should be of great assistance to both establishments

¹⁴ See footnote 81, p. 68.

in discharging their respective functions in connection with the prosecution of the war and the working out of our long-range policies in that area.

The Department believes, therefore, that it is of the utmost importance that the Commanding General of United States forces in the China-Burma-India theater and the ranking American political representatives in that area should arrange for constant liaison and regular consultation one with the other to the end that coordination and cooperation be maintained between the diplomatic and military establishments in China and India of this Government in political matters relating to military affairs. For example, the Department believes that the ends in view might be well served if General Stilwell would maintain liaison and confer with the American Ambassador at Chungking in regard to matters affecting political relations with China and similarly with the Chief of the American Mission at New Delhi in regard to matters affecting political relations with India.

The Department will instruct the American Ambassador at Chungking and the Chief of the American Mission at New Delhi to take all necessary steps to work out arrangements for such liaison and conferences with General Stilwell at which all questions of mutual concern will be thoroughly explored and discussed. At the same time and for the same purpose the Department requests that the War Department issue appropriate instructions to General Stilwell in the foregoing sense.

Sincerely yours,

CORDELL HULL

740.0011 Pacific War/3427

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] August 18, 1943.

Dr. T. V. Soong, Foreign Minister of China, called at his request, having just returned from London. I inquired as to how he felt about the results of his visit. He promptly said that he thought they were good and that he was much encouraged by his trip. He stated that, while the British are not idealistic like the United States and some other countries, they did show a prompt disposition to discuss frankly and reasonably each and all questions that were presented to them.

Dr. Soong said that his Government feels that the four great nations largely directing the war should have their unity made a reality by taking China into the military and other conferences and that his Government is very earnest in this plea.

The Foreign Minister then said that he was most desirous to take up with the British the question as to their plans to open up the Burma

area, primarily from the standpoint of China. He stated that the British had agreed to engage in certain further military movements, but he did not undertake to be specific as to just where and in what particular territory. Dr. Soong said that his Government felt very strongly that it should be consulted about any fighting with Japan, or plans for fighting with Japan. I stated that this question is one of a military nature and does not come within my function. He then requested me to speak to the President about these matters, especially about his Government's desire that the Burma area be opened up, and I said I would be pleased to do so.

The Foreign Minister then said that his Government felt that it should be a member of the committee which deals with munitions assignments; that in Great Britain they are even proposing to take in some other European countries, including the French Committee of National Liberation; whereas China, one of the four large nations, is not a member.

Dr. Soong said off the record that he had secured an agreement with the Government of Canada to furnish China with 60,000 tons of munitions; that these munitions were not susceptible of use by the United States or Great Britain, but that Mr. Lauchlin Currie had prevailed on the Canadian Government to abandon her agreement by saying that China was in a confused state at present, et cetera, and that the Government of Canada had so informed him.

I told the Minister that we looked upon China as having great potential strength and development, politically, economically, et cetera, and that that development is reasonably certain in the not distant future, and that, therefore, we are showing China every consideration at all practicable. Dr. Soong said that this was true, but that some other countries like Great Britain do not seem to have that idea.

C[ORDELL] H[ULL]

740.0011 Pacific War/3428

The Chinese Minister for Foreign Affairs (Soong) to the Secretary of State

WASHINGTON, August 18, 1943.

DEAR MR. SECRETARY: I enclose herewith a memorandum on the question of China's representation on various inter-allied committees, which we discussed when I saw you this morning.

I also enclose for your information a memorandum on our assignments of Canadian munitions. While it may not be as detailed as my verbal discussion with you, it is an outline which includes the essential points.

I am [etc.]

TSE VUN SOONG

[Enclosure 1]

The Chinese Minister for Foreign Affairs (Soong) to the Secretary of State

1. On many occasions the United States Government has declared it to be its policy that four amongst the United Nations, namely the United States, Great Britain, the U. S. S. R. and China, which are bearing the main burden of the war effort, shall also assume the responsibility for the conduct of the war and for the maintenance of peace.

2. Indeed, on one notable occasion when a joint United Nations agreement, that relating to Relief and Rehabilitation, was being elaborated, the four Governments, upon the invitation of the U. S. Department of State, entered into protracted discussions and secured agreement amongst themselves before the draft instrument was presented to other United Nations.

3. The necessity for such prior consultations was stressed on many occasions in official pronouncements by the United States and British Governments. On no major issue, however, either relative to the conduct of the war or to preparations for the future peace, has this practice been followed so far.

4. Since that date there have been formed numerous inter-Allied agencies, civilian and military, for the daily conduct of the war and for the preparation of the transition from war to peace, and in each case their membership was limited to United States and British representatives, although these agencies are assumed to be acting on behalf of the United Nations.

Repeated inquiries by Chinese representatives as to their participation in these agencies have met with negative replies. Moreover, the Chinese representatives have not even been called upon to present China's programs or plans themselves when China's case is under deliberation before these agencies. On the one or two occasions when Chinese representatives did present statements before the Combined Chiefs of Staff, they were heard rather as witnesses and did not participate in the actual deliberations, nor were they parties to the final recommendations although these related to war operations of vital interest to China.

5. While the assumed existence of the Four Power leadership continued to be emphasized by American and British officials, no Chinese representative was invited to the Casablanca or Washington conferences at which plans were adopted affecting the China theatre of war of the United Nations, over which Generalissimo Chiang Kai-shek is in supreme command. These decisions were only communicated afterwards and the consequential misunderstandings in the interpretation

of the commitments made to China would have been avoided, had a procedure for genuine joint collaboration been established and acted upon.

6. While the Chinese Government fully appreciates the courtesy of being informed in informal conversations of some of the matters under discussion between the United States and British Governments, yet in its view this procedure falls far short of the political consultation which is implied by its membership of the group of Four leading powers, and which was followed in regard to "Relief and Rehabilitation."

7. The new war situation in Europe and the new strategy against Japan are now again under review by the United States and British Governments at Quebec. Their conclusions will affect the future structure of world relationship and of post-war alignments. The Chinese Government can no longer hide from its people, whose will determined the decision to oppose Japan in 1937, and from the army, the fact that China is not a party to either the consultations or the decisions for the conduct of Allied war operations and Allied peace plans.

8. The Chinese Government therefore in all earnestness proposes that:

(a) existing joint and combined agencies, such as the Munitions Assignment Board, be enlarged to include Chinese representation on a footing of equality;

(b) inter-Allied machinery, with equal Chinese representation, be created with a view to insuring coordination of efforts to carry into effect all decisions jointly reached;

(c) upon the occasion of the Quebec Conference a joint declaration be made in the above sense.

[WASHINGTON,] August 18, 1943.

[Enclosure 2]

*The Chinese Minister for Foreign Affairs (Soong) to the
Secretary of State*

MEMORANDUM REGARDING CANADIAN MUNITIONS

Many months ago the Chinese Government approached the Canadian Government for aid in supplying munitions under their Mutual Aid Plan. A definite program, embracing nearly 60,000 tons of ordnance and supplies for the next year, was mutually agreed upon between myself representing the Chinese Government, and Mr. Howe, the Canadian Minister of Munitions. The program received the official sanction of the Canadian Government, and orders have been actually placed by them.

None of these munitions would involve taking away any essential supply of munitions required by the U. S. or British armies. Shipping for these supplies to India (where the Chinese Government intend to keep a stock pile of these goods until the Burma Road or some alternate route, such as the Iranian Highway through Central Asia, could be developed) are likewise available.

On various pretexts, technicalities were advanced by the American authorities through Dr. Lauchlin Currie to have the Canadian Government either stop or curtail these supplies.

The Secretary is earnestly requested to approach the President to give instructions that all objections, which are indeed not in line with the broad and generous friendship of the United States for China, be withdrawn.

[WASHINGTON,] August 18, 1943.

711.93/537

*Memorandum of Conversation, by the Adviser on Political Relations
(Hornbeck)*

[WASHINGTON,] August 19, 1943.

I called on Dr. Soong at his home last evening, and there ensued between us a lengthy conversation.

Dr. Soong said that he had enjoyed his recent trip to London. He said that he had acquired for the first time confidence that the British could be relied on to fight with full vigor until victory over the Japanese has been gained; they have given him emphatic assurances and have explained to him their plans and intentions; he was sure that they had abandoned their erstwhile political affection for the Japanese.

In continuance Dr. Soong made a very interesting observation to the effect that discussion of policies and procedures with the British is very different from discussion of similar subjects with American officialdom. Americans, he said, begin with principles and discuss possibilities and courses in the light thereof, with a certain emotional accompaniment. The British, he said, are matter-of-fact, "realistic", unemotional and they have constantly in mind the question of *quid pro quo*.

Dr. Soong said that he had had a conversation with the Secretary yesterday, earlier in the day, and that he wanted to inform me about something of which he had given the Secretary an account. He then gave me an account of the agreement which he had made with the Canadian Government for the supplying to China of 60,000 tons of military materials and of interference by certain American officials or officers—of which account I have made record in a separate memorandum.¹⁶

¹⁶ Not printed.

I then said that, not having had a chat with Dr. Soong for some time, I had accumulated several topics regarding which I wished to speak to him.

I handed him a copy of a press report from a Russian source in which examination was made and emphasis was laid on an estimate that 38,000,000 Russians had had to leave their homes in consequence of the ravages of war on the German front. I also handed him a copy of an excerpt from a radio bulletin wherein attention had been called to the disparity in numbers between personnel of British Foreign Services and personnel of Chinese Foreign Services. Dr. Soong commented on this to the effect that the Chinese Diplomatic Service was terribly short-handed, especially in the lower brackets and the clerical fields, and he remarked that China must give attention to the training of adequate personnel.

I then said that there had been recently, as Dr. Soong probably had noticed, a great deal of "chatter" in some quarters about alleged tension between the Chinese National Government and the Chinese Communists. Dr. Soong remarked that he had observed this. I said that Dr. Soong would remember a conversation which he and Ambassador Hu Shih and Mr. Hamilton and I had had many months ago¹⁷ at a time when the press had been full of items on that subject. Dr. Soong said that he recalled that conversation. I said that the feeling of the Department of State about the whole matter was now what it had been then: that Dr. Soong would perhaps recall that Mr. Earl Browder¹⁸ had made some charges against the Department of State some months ago in relation to this subject, and that the Under Secretary had talked to Mr. Browder,¹⁹ had refuted those charges, had stated what was this Government's attitude, and that Mr. Browder had thereupon made a retraction. Dr. Soong said that he remembered this also. I said that we had recently received information from Chungking that an official agent of another power had alleged to an American officer that the American and the British Governments were urgently pressing upon the Chinese Government a course of action regarding the Communists; and that I wanted to say that any allegation that the American Government was thus proceeding was false. I then gave Dr. Soong a copy of the statement which Mr. Welles had made to Mr. Browder; and I said that that statement was accurately expressive of the official opinion of the American Government; that so far as the Department of State is concerned we do not entertain apprehension of an armed clash in the near future be-

¹⁷ See memorandum of March 7, 1941, by the Chief of the Division of Far Eastern Affairs, *Foreign Relations*, 1941, vol. v, p. 610.

¹⁸ General Secretary of the Communist Party in the United States.

¹⁹ October 12, 1942; for correspondence, see *Foreign Relations*, 1942, China, pp. 244 ff.

tween the Chinese National Government and the Chinese Communists; that we have never concealed expression of hope on our part that civil strife in China—as elsewhere—will be avoided, but we have scrupulously refrained from urging upon the Chinese Government any particular course of action in connection with or in regard to matters of Chinese international politics. Dr. Soong said that he was sure that he had for some time past accurately understood the official position of the American Government on these points. He said that some weeks ago a highly placed American military authority (whom he named) had informed him of receipt by that office of a report circumstantially stating that the Chinese National Government was planning to make an attack on the Chinese Communists on or about August 15, and that that officer, who is friendly to China, had expressed to him, Soong, solicitude and had emphasized the detriment that would accrue to the position and effort of the United Nations were a civil armed conflict to break out in China. Dr. Soong said that this officer had spoken in good faith and with good intent on the basis of misinformation given him from some source which must in turn have been misinformed. He, Soong, wondered whether these things originated from Russian sources. He, Soong, could assure me that the National Government has no present intention of forcing the issue with the Communists. He, Soong, felt no present uneasiness on this score. And, he, Soong, appreciated the State Department's calm view and correct attitude regarding the subject.

I then said that there was another matter about which there had recently been, unfortunately, a good deal of unnecessary, not to say harmful, "chatter": namely, a small flood of critical articles expatiating unfavorably on the subject of Chinese military performance and capacities. I mentioned several such articles and asked whether Dr. Soong had read them. In each case Dr. Soong replied in the affirmative. I then asked whether he had read Rodney Gilbert's two articles of recent date in the *New York Herald Tribune*. Dr. Soong replied that he had, and that he was pleased with and especially interested in those articles because he remembered that some years ago Mr. Gilbert had written a book severely critical of China. There followed some discussion of the points of view of some of the writers under reference, the substance of some of the articles, and the sources and the motivation of various of the statements which they carried. In the course of this discussion, Dr. Soong mentioned Mr. Gilbert's comments upon military observers and mentioned critically one American officer by name. I said that I had brought this subject up in order to suggest to Dr. Soong that, although this little flood of adverse criticism must be and is known to be distasteful to the Chinese, especially in official

circles in Chungking, it ought not be taken too seriously; it must be remembered that a number of Chinese have said a lot of harshly critical things about the United States during recent years and especially since Pearl Harbor; that it must also be recalled that there has existed in Chungking a pretty severe censorship, in the presence of which, when news critical in character does leak out, there is a tendency for publicists to make the most of it; and that the thing that is really important is not what a few critics say but what is the opinion of those persons in official circles who have the responsibility of making decisions. I suggested that Dr. Soong suggest to his official associates that we must all try to see these things in perspective and on balance. I remarked that the Chinese censorship apparently tries to impose some worthwhile restrictions, for instance the prohibition upon export of Chinese criticism of allies; and I said that I wished our censorship might be as effective in a similar direction as it is in some perhaps less important fields. Dr. Soong appeared to be arriving at a revised concept of what should be the Chinese reaction to the type of criticism which was under discussion. I endeavored to clinch the point by referring to the traditional impression that the Chinese as a nation react cheerfully or with indifference to criticism which they believe to be unwarranted, in contrast to the hyper-sensitiveness of a near neighbor of theirs which has been terrifically sensitive to any and all types of criticism.

The conversation having reached this point, I said that there were other subjects which I still wanted to discuss but which were not of immediate or urgent concern, but the hour was growing late and that it might be well to "call this a day". Dr. Soong said that there were also other matters about which he would like to talk and that we must get together again soon and continue therewith.

Addendum:

In the course of the conversation Dr. Soong made a number of observations indicative of gratification on his part over progress that is being made in supplying airplanes to China and over the improvement in the situation as regards China's defense. He said that the airfields in Assam are rapidly being improved; that planes are now being supplied to the Chinese air force and General Chennault; that China's defensive position is, thanks to these developments, now secure.

I took occasion to inform Dr. Soong of our views and effort in regard to the question of allocating five additional planes to CNAC;²¹ and I asked whether Dr. Soong would wish to offer any comment regarding the desirability of our persevering in or desisting from effort in that connection. Dr. Soong replied that he felt that CNAC had a

²¹ China National Aviation Corporation; for further correspondence on this subject, see pp. 661 ff.

real need for those planes; that acquisition of those planes by CNAC would be helpful from every point of view; that the Chinese greatly appreciate the service which CNAC has rendered and is rendering. He expressly mentioned their appreciation of Mr. Bond and of his spirit of cooperativeness. He said that "CNAC should by all means have these planes if it is at all possible". I asked whether, in the event of the allocation being affected, there would be any assurance that Chinese authorities might not transfer these planes away from CNAC. Dr. Soong replied that he thought there need be no apprehension on that point; that the Chinese authorities wanted CNAC to have additional planes; and that if any trouble should by chance arise, he would be willing to intervene on CNAC's behalf. He then expressed emphatically an appreciation of General Chennault, Chennault's services, and the effective cooperation which prevails between Chennault and Chinese authorities.

S[TANLEY] K. H[ORNBECK]

893.154/469

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

[WASHINGTON,] August 19, 1943.

MR. SECRETARY: Important among the questions which it may be assumed will come in for some discussion at Quebec is the question of campaign for the re-conquest of Burma, or at least a part of Burma, toward the objective of reopening the Burma Road into China.

In the opinion of Far Eastern officers of the Department, it is highly desirable from a political point of view that plans for proceeding with this operation be implemented and proceeded with at the earliest possible moment after the end of the present monsoon, (i. e. this Fall) and that nothing be permitted to occur which would give the Chinese the impression that this campaign is being arbitrarily delayed or deferred.

S[TANLEY] K. H[ORNBECK]

103.9166/5522 : Telegram

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

WASHINGTON, August 20, 1943—10 p. m.

1153. Department appreciates receiving comment contained in your 1444, August 13, 11 a. m. and is considering your suggestion for

action.²² In your contacts with Chinese you may take the opportunity to point out again that the Department does not presume to exercise control over press writers in this country and does not assume responsibility for what they write. With specific reference to Baldwin's article, you may say that it of course in no wise represents the thought and feeling of the high responsible authorities of this Government. There will follow a telegram giving paraphrased excerpts of a press article in reply to Baldwin and to several other adverse critics.

WELLES

740.0011 Pacific War/3392a : Telegram

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

WASHINGTON, August 20, 1943.

1152. Following are paraphrased excerpts of an article by Rodney Gilbert which appeared in the August 16 issue of the *New York Herald Tribune*: Baldwin has made himself a sounding board for all the idle gossip about Chinese military ineptitude that have filtered into Washington. If the drives into unoccupied China from which the Japanese come tumbling back with great loss of life and equipment are simply "reconnaissance forays" a map of the present position in China will show that they suffer great inconveniences and dangers, a situation which Gilbert defies the strategists to explain. From free choice, according to the absurd theory represented in Baldwin's article, the Japanese do without rich sources of materials such as tungsten, tin, antimony, et cetera, which one would suppose that their war industries would be glad to have. According to this "poisonous nonsense" the Japanese have been in control of the termini of 3 trunk railroads for 5 years but have been content to let the Chinese remain in possession of the middle sections. Listing the widespread areas of unoccupied China such as Yunnan, sections of eastern and central China, Hunan, et cetera, occupation of which might reasonably be expected to profit and strengthen Japan, Gilbert points out that nothing stands in the way of such occupation but Chinese soldiery, in encounters with which the Japanese have had some of their "invaluable training". He makes it clear that, while Chinese resistance may not be of a character to appeal to some types of western military mind, it has nevertheless been an effective embarrassment and barrier to Japan, is now, and will be in the future if supplies can be brought into China.

WELLES

²² In line with this suggestion the Secretary of State made a public statement on September 17, 1943, Department of State *Bulletin*, September 18, 1943, p. 179.

893.248/282

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

No. 1495

CHUNGKING, August 21, 1943.

[Received September 18.]

SIR: I have the honor to transmit herewith a copy of despatch no. 116, August 11, 1943,²⁴ from the Embassy officer at Chengtu, on the subject of the skill of Chinese aircraft repair crews.

Mr. Smith reports that, according to two American technical representatives with the U. S. Army who recently visited Chengtu, Chinese aircraft repair crews display considerable mechanical skill and have benefitted greatly from the basic mechanical training given them by Russian advisers during the past five years. The American experts consider that these crews are capable of servicing American aircraft and are convinced that the development of civil aviation in China after the war will not be handicapped by the lack of trained and capable mechanics.

Respectfully yours,

GEORGE ATCHESON, JR.

740.0011 Pacific War/3394: Telegram

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

CHUNGKING, August 23, 1943—4 p. m.

[Received August 23—3:40 p. m.]

1547. Chungking was raided this morning by some 22 Japanese planes which flew over the city but apparently dropped bombs only in the outskirts near a small arsenal. Some defense by Chinese planes. While Japanese reconnaissance planes have come over occasionally, this is first actual raid since September 1941.

ATCHESON

893.00/15101a

The Secretary of State to the Secretary of War (Stimson)

WASHINGTON, August 26, 1943.

MY DEAR MR. SECRETARY: The article written by Hanson Baldwin entitled "Too Much Wishful Thinking About China" which appeared in the August issue of the *Reader's Digest* has no doubt been brought to your attention and you have probably heard something of the reaction to this highly critical—uncomplimentary—discussion of China's past and present military effort and military potential.

²⁴ Not printed.

In a signed article in the August 16 issue of the *New York Herald Tribune* Mr. Rodney Gilbert, "an old China hand" and by no means a sentimentalist about China (he is the author of *What's Wrong with China?*), takes issue with the "absurd theory" for which Mr. Baldwin makes himself the spokesman, and the *Herald Tribune* editorially supports Mr. Gilbert.

Mr. Gilbert states that the source of the military gossip about China as reflected in Mr. Baldwin's article is Washington, "Where desk men of high rank in the various offices of the fighting forces meet all the boys who come back from the Far East and piece together from their lightly told anecdotes of hit or miss Chinese ways, a pattern of hopeless inefficiency, graft, misleading Chinese propaganda, and fumbling of opportunities." Mr. Gilbert states that Mr. Baldwin, who has never been in China, has made himself "a sounding board for all the idle gossip about Chinese military ineptitude that has filtered into Washington. . . ." ²⁵

The reaction in China to Mr. Baldwin's article has been most unfortunate. The Chinese—and I think rightly—have deeply resented Mr. Baldwin's unreserved, unsympathetic and in many respects, unsound analysis of the Chinese military position. The *Ta Kung Pao*, most influential paper in China, states ". . . we cannot but feel indignant because his (Baldwin's) words have not only caused him loss of prestige as a commentator but also have insulted China and her people . . . When her (China's) independence is interfered with . . . she fights to protect her independence and freedom and fight to the last she must." The *Hsin Hua Jih Pao* (Communist Party daily newspaper published in Chungking) terms Mr. Baldwin's statement that "China is not a nation in our sense of the word but a geographer's expression" not only criticism but purposeful slander disclosing his own ignorance.

Our Embassy at Chungking has informed the Department that Mr. Baldwin's article has caused resentment in China that is deep and bitter and wide-spread. The Embassy states that the article has been the subject of discussion at a special meeting of Cabinet ministers and party leaders and of a conference held by Generalissimo and Madame Chiang with various high Chinese officials. The Embassy expresses the opinion that continued public criticism of China may have an adverse effect on our relations with the Chinese Government.

My purpose in writing to you about this matter is not to take issue with Mr. Baldwin or to go into the subject of what is fact and what is not fact with regard to Chinese military performance and Chinese military potential. I wish rather to bring to your attention—if you

²⁵ Omissions in this document indicated in the original.

have not already noticed it—the suggestion made by Mr. Gilbert that military men in Washington are the source and inspiration of Mr. Baldwin's statements and theories regarding these subjects, for which suggestion it is believed, both from external and from internal evidence, that there may be some basis of fact. I venture to believe that, in the interest of our relations with China, both political and military, as a friend and ally, you would wish to consider the implications of Mr. Gilbert's suggestion and, whether it is or is not warranted by developments in the past, to take appropriate steps toward insuring against its being warranted as regards the future.

Sincerely yours,

CORDELL HULL

893.154/474

*Memorandum of Conversation, by Mr. Augustus S. Chase of the
Division of Far Eastern Affairs*

[WASHINGTON,] August 26, 1943.

Participants: Lieutenant Colonel M. E. Sheahan, U. S. Army.
Mr. Ballantine.
Mr. Chase.

(It will be recalled that Sheahan in 1939 and 1940 headed an American commission which at the invitation of the Chinese Government toured China and made recommendations for the improvement of the Chinese transportation system. Since then he has been with General Stilwell's command, working on transportation problems. He is understood to be a very capable officer whose opinions are of great value.)

Lieutenant Colonel Sheahan called in response to an invitation. The opportunity was taken to obtain information from him on a number of aspects of China's transportation problems and related questions. His observations and views may be summarized as follows:

The practicable steps which it is vitally necessary to take to rebuild China's broken-down transportation system continue to be those which Lieutenant Colonel Sheahan recommended in 1939. Road maintenance and improvement, and the rehabilitation of native means of transport (river junks, human carriers, et cetera), which can handle a very large volume of traffic, are especially important; and a more centralized control should be established to reduce graft and promote efficiency. Other necessary steps include the acquisition of more substantial trucks, and the repair of some 10,000 immobilized broken-down trucks (for which, Lieutenant Colonel Sheahan believes, there are fairly adequate supplies of spare parts already available in India and China).

The establishment of an American transportation advisory office at Chungking would help a great deal in forwarding the work of rehabilitating China's transportation system provided that the Chinese would prove cooperative. Chinese have in fact intimated to Lieutenant Colonel Sheahan that his services as an adviser are desired, but his military duties would prevent his accepting such a position.

In any case it is most important to encourage the Chinese themselves to do everything possible to solve their transportation problems—and especially to repair and improve the road system in the region between Kunming and Japanese-occupied areas on which future military operations will probably depend to a large extent. Lieutenant Colonel Sheahan has the impression that the Ministry of Communications under Tseng Yang-fu is taking a step in the right direction by establishing a more centralized control over transportation. The Chinese, considering their handicaps, have not done so badly in the maintenance of transportation equipment. The heavy mortality of trucks has been due less to the inefficiency of Chinese mechanics than to the cheap construction of the trucks resulting from the fact that the Government, instead of purchasing finished American vehicles, purchased only skeleton chassis and completed the trucks with inferior Chinese technique and materials.

Lieutenant Colonel Sheahan estimates that, following the recapture of the Burma Road, it will take about three months to prepare the China section of the road for operation. Restoration of traffic on the Burma section will be more difficult in view of the greater destruction suffered by the railway and road in that area, but with the reconquest of northern Burma it will be possible to establish a direct route from Calcutta to the western end of the Chinese section which can be used in lieu of the route from Rangoon. Considerable use can be made of river transportation on the Brahmaputra. It is planned to put through a pipe line from Burma to Kunming, which will carry aviation gasoline. In the opinion of Lieutenant Colonel Sheahan, the psychological effects of the reopening of the Burma Road will benefit China more than the road's actual transportation value.

With regard to the report that British experts are undertaking maintenance work on the Iran-U. S. S. R.-Sinkiang route, Lieutenant Colonel Sheahan feels that it would be preferable for Americans to handle this work, especially in view of the strong anti-British sentiment in the Iran area. The present volume of traffic over the Russian route is about 2,000 tons a month and it is hoped that this figure can be doubled. The possibilities of the Tibetan route are extremely limited.

In response to an inquiry as to the possibility of getting relief supplies into China, Lieutenant Colonel Sheahan said that, in view of

the transportation bottleneck and of the necessity of according priority to military supplies, he feared that the delivery of relief supplies, despite its unquestionable urgency, would have to be deferred for a long period.

Lieutenant Colonel Sheahan, while heading his commission for the study of China's transportation system in 1939 and 1940, experienced considerable difficulties as a result of the friction between the groups headed by Dr. H. H. Kung and Mr. T. V. Soong with which he had to deal, and he believes that any American who might be appointed as a transportation adviser will have to be very careful to avoid becoming involved in differences between these two groups.

Lieutenant Colonel Sheahan feels that relations between the Americans and the British in India have tended to improve somewhat. There has been a tendency on the part of some Americans to deal directly with the Indians rather than through the British. On the whole the British have been surprisingly tolerant of this practice.

103.9166/5975 : Airgram

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

CHUNGKING, August 26, 1943.

[Received September 11—11 a. m.]

A-40. Embassy's 1444, August 13, 11 a. m. Hanson Baldwin's article in the August *Reader's Digest* continues to be a subject of lively discussion in Chinese circles and of angry comment in the controlled Chinese press.

As an example of the reaction among the more liberal circles, it is reliably reported that Dr. Sun Fo recently made a speech at a Legislative Yuan meeting in which he criticized the Chinese Government's present lack of guiding aims and principles and cited in support of his criticism Pearl Buck's article in *Life*, Bisson's article and the two Baldwin articles; Sun Fo pointed out that as Mrs. Buck is well known as a staunch friend of China her criticism cannot be deemed unfriendly and that as she knows China well she cannot be dismissed as uninformed. According to one informant, the articles have to some extent strengthened the hands of the liberals within the Chinese Government by reinforcing their criticism of Fascist trends and of the resultant lowering of morale within the administration.

I have had some informal discussion of the *Digest* article, and also of the other articles, with a number of Chinese officials, at my own initiative on occasions which seemed appropriate and sometimes on their initiative. Among these officials were Dr. Kung, Sun Fo, K. C. Wu (Acting Foreign Minister) and Wang Shih-chieh (Secre-

tary General of the Central Planning Board and former Minister of Information and Minister of Education). In reply to inquiries as to the cause of this "wave of criticism" in the United States, I have suggested, when it seemed likely that frankness would be appreciated, that any out-of-focus statements in the articles might be in part a result of a censorship which prevented comprehensive and accurate information regarding the situation in China from reaching the United States and other countries abroad. It is my impression that the officials with whom I talked have for the most part been inclined to find some validity in this point of view but there has so far come to our attention only one instance of any real relaxation of censorship. On August 16 or 17, the *New York Times* and the United Press correspondents were permitted to telegraph despatches in regard to the Kuomintang-Communist situation—the first despatches on that subject permitted release except for one reportedly very biased in favor of the Kuomintang which was written by the Chinese correspondent of Reuter's by special permission and possibly by direction (Embassy's despatch no. 1415, August 2, paragraph 2). The *New York Times* correspondent showed me his despatch as censored and while references to both the justified and unjustified complaints of the Communists against the administration were among the items deleted, the article on the whole gave a fairly good background picture of the situation.

Nothing, however, has occurred to alter our view that criticism in the American press of China, whether or not justified, cannot help but have adverse effects upon our relations until and unless the reactionary Chinese leaders acquire something of an objective point of view as to the realities of the world situation and the part that China is playing, or should play, therein. Indeed, in their present state of extreme sensitiveness, and with their deeply ingrained slavishness to considerations of face, the more justifiable the criticism may be the more likely is resentment to be increased.

ATCHESON

124.93/570

The Acting Secretary of War (Lovett) to the Secretary of State

WASHINGTON, August 28, 1943.

DEAR MR. SECRETARY: Receipt is acknowledged of your letter dated August 17, 1943, indicating the desirability, in addition to the recent assignment of four Foreign Service Officers to the Commanding General, U. S. Army Forces, China-Burma-India Theater, of close cooperation being arranged between the U. S. Diplomatic and

Military Establishments in China and India, and requesting that General Stilwell be instructed with respect thereto.

Cooperation between these establishments has been common practice in the past. Nevertheless, the War Department is in accord with the views of the Department of State that it is important that constant and regular consultation and liaison on political matter[s] related to military affairs be arranged.

Appropriate instructions are accordingly being issued to General Stilwell so that, subject to military requirements, whatever arrangements are necessary to carry out the intent and purpose of your letter be put into effect.

Sincerely yours,

ROBERT A. LOVETT

740.0011 Pacific War/3410 : Telegram

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

CHUNGKING, August 30, 1943—2 p. m.

[Received September 1—4: 10 p. m.]

1595. During conversation which the British Ambassador and I had with Chiang Kai-shek August 29, Chiang stated that he welcomed Mountbatten's²⁷ appointment.

ATCHESON

740.0011 Pacific War/3450

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

No. 1528

CHUNGKING, August 31, 1943.

[Received September 18.]

SIR: I have the honor to refer to the Embassy's telegrams no. 1233, July 20, 11 a. m. and no. 1221, July 19, 9 a. m., in regard to the use of puppet troops in the fighting during May and June in the Ichang and the Tungting Lake regions, and to enclose an excerpt from a recent report by the Military Attaché (no. 375, August 24, 1943) on the subject of the strength and disposition of puppet troops in China.²⁸

Contained in the excerpt is a discussion of the use of puppet troops in north China, in central China and in south China. According to the Military Attaché, while the main duties of puppet troops in north and central China are those of garrison and police activity, there have been reports of fighting between puppets and units of the Chinese New

²⁷ Vice Admiral Lord Louis Mountbatten, appointed Supreme Allied Commander, Southeast Asia.

²⁸ Enclosure not printed.

Fourth Army (Communist), especially in Shansi and eastern Hopei, and, as previously reported, puppet troops were employed in the May and June fighting. In south China, the Military Attaché states, another group of puppets has come into existence, following the Japanese occupation of Kwangchow-wan; these troops are used for defense purposes to secure the coast of Kwangtung for the protection of Japanese shipping. He states that in the May and June operations in the Tungting Lake region about two-thirds of the Japanese contingents were Manchurian or Korean puppets, although all officers and all machine-gunners were Japanese.

As regards the strength of the puppet troops, the Military Attaché states that no accurate figures are available but that a rough estimate would be about 100,000 for north China, 500,000 for Wang Ching-wei, and some 3,000 for south China, making a total of 603,000.

The Military Attaché points out that accurate information in regard to puppet troops, their designations, strengths, commanders, et cetera, is very difficult to obtain; that Chinese Intelligence agencies are reluctant to report on these units; and that Japanese reports monitored from radio broadcasts are colored for obvious propaganda purposes. He adds that it is, however, significant that Chinese Intelligence reports of late contain more information in regard to the activity of puppet troops—an indication that their use is assuming greater importance and that the reorganization of puppet units by the Japanese is beginning to bear fruit.

Respectfully yours,

GEORGE ATCHESON, JR.

740.0011 Pacific War/3439

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] September 2, 1943.

The Chinese Foreign Minister called at his request. I proceeded first to felicitate him on the splendid situation which developed at Quebec in relation to more recognition and more attention to the Far East in the war, including a plan to reopen the Burma Road. I said my felicitations go to him, the Generalissimo and Madam Chiang Kai-shek, who have labored so valiantly. Dr. Soong said that he planned to return home about the 20th of this month and that he would be pleased if I would bring him up to date on all matters relating to the war situation of interest to China and also any documents relating to the post-war situation. I replied that I would be only too glad to do so.

I then proceeded to give Dr. Soong the substance of our draft of a proposed Four Power interim or transition agreement. I need

not repeat this analysis here. I said that very soon when some of its details were perfected and the matter was passed on by the President I would undertake to get a very confidential copy to him.²⁹ I emphasized the supreme need for secrecy. He expressed his special gratification. He was also thankful to the State Department for the attention some of us have given to Chinese affairs and to the special requests of the Foreign Minister, during recent weeks in particular.

Dr. Soong then referred to his conversation with Mr. Lauchlin Currie some weeks ago about the 40,000 tons of munitions promised China by Canada and later revoked by Canada at the request of Mr. Currie. Dr. Soong thanked me for mentioning this to the President at Quebec and said that he followed this up with a talk with the President which was satisfactory.

Dr. Soong then brought up two requests of his Government heretofore made, one, for China to be represented on the Combined General Staff with her member located here in Washington, and also the standing request of China to become a member of the Munitions Commission. At his request I said I would be glad to mention them to the President and Mr. Churchill this week if I am given a chance. He was very appreciative in each instance.

C[ORDELL] H[ULL]

893.24/1658

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

[WASHINGTON,] September 3, 1943.

MR. SECRETARY: 1. Referring to the next to the last paragraph of your memorandum of conversation with Dr. Soong of September 2:

Mr. Hiss³⁰ and I have been looking into the question of the Canadian promise to send munitions to China. We find that the question of that promise was quickly gotten into the hands of the Joint War Aid Committee—U.S.—Canada—as Dr. Soong might well have and probably did know that it would—and that that Committee has been considering the whole question from point of view of coordination, available transportation, timing, etc. This Department is now represented on that Committee by Mr. Hickerson³¹ but this representation has been achieved only very recently. The Committee has already approved release of something over 7,000 tons of the munitions in question, and expects to release further amounts when and as release

²⁹ For text of copy handed on September 21 to Dr. Soong by the Adviser on Political Relations (Hornbeck), see p. 820.

³⁰ Alger Hiss, Assistant to Mr. Hornbeck.

³¹ John D. Hickerson, Assistant Chief of the Division of European Affairs.

seems practicable. There is an all-influencing difference of opinion between Dr. Soong on the one hand and the American and Canadian officials who have the say so on the other hand regarding the question of transportation between Assam and China and the question of size, safeguarding and liquidation of stock piles in Assam. In that connection, Dr. Soong seems perhaps overly sanguine and the Canadian and American officials who have the say so seem perhaps unduly conservative. Pressure by the President upon the latter might perhaps cause them to see the possibilities in a somewhat less conservative light. Also, recent reports indicate that the existing stock piles in Assam, for the safeguarding of which the U. S. Army is responsible, are deteriorating from obvious neglect. A few words on that subject by the President might help toward improving that situation.

2. With regard to the last paragraph of your same memorandum:

It may with ample warrant be doubted whether the time has yet come when it would be practicable for the British and U. S. General Staffs to accord to China a place on the Combined General Staff. It would seem, however, that the time has come when China's standing request for representation on the Combined Munitions Board might to advantage be given favorable consideration. There are, of course, substantial reasons which can be advanced for keeping the Combined Munitions Board an exclusively American and British organization; but, on the other hand, from a political point of view and from point of view of facilitating administration and of applying in practice the principle of cooperation in the military effort, there are weighty considerations pro giving the Chinese a membership representation on that board. This question should have the President's consideration in his capacity as Commander-in-Chief and his capacity as ultimate arbiter of questions of foreign relations.

S[TANLEY] K. H[ORNBECK]

740.0011 Pacific War/3419: Telegram

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

CHUNGKING, September 7, 1943—4 p. m.

[Received 11:05 p. m.]

1649. Recent Allied victories have had a noticeably good effect on morale of the Chinese oligarchy of officials, bankers *et al.* The scenes of victory are however too distant to inspire Chinese Government and people to bestir themselves to increase China's war effort which remains, as it has for so long, negative in the sense that resistance is negative as compared to offensive action. The Chinese continue to wait for the Allies (chiefly the United States) to defeat Japan.

First hope of an early turn of fortune for China seems for most Chinese leaders to lie in recapture of Burma and restoration of effective land and sea communication with outside world. There are, on the other hand, a few officials who fear an Allied attack upon Burma because it might impel the Japs to muster and expend sufficient effort to envelop Kunming and in due course make Chungking untenable. This apprehension is corollary to the fear of some provincial and other generals to risk their armies lest the basis of their personal position and influence in the oligarchy be dissipated.

Apprehensions in regard to a "Burma campaign" (as object of open, wide and lively discussion in Chinese official and other circles) are also related to deep suspicion (of which in some aspects we have reported before) that at least one of China's Allies has no heart for such a project and will if campaign should be undertaken fail again to make an all-out or even creditable effort.

The summing up of determinative Chinese feeling is, we believe, that failure would be a body blow from which Chinese morale and Allied prestige and influence in this theatre could recover only by immediate American action such as a direct effective attack upon Japan proper or capture of China coastal bases for such attack which would entail greater effort and cost than would be required in the first place to make a "Burma campaign" successful.

ATCHESON

893.105/96 : Telegram

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

CHUNGKING, September 10, 1943—3 p. m.

[Received 6:40 p. m.]

1671. It is widely reported that the notorious Tai Li, head of the Generalissimo's principal secret political and military police and intelligence organization, has been relieved of his post as a result (a) of the accumulative effect of arbitrary kidnappings, executions, et cetera, of agents and employees of highly placed persons, including the execution in the autumn of 1942 of Ling Hsu Liang, head of the Transportation Department of the Central Trust, who instead of using his trucks to evacuate Government supplies from Burma to China allegedly employed them to bring in "luxury" goods for highly placed persons; (b) of conflict with the corrupt interests of highly placed persons arising from the organization's corrupt "smuggling prevention" activities; (c) of bitter rivalry engendered in the Kuomintang's secret police whose main function is the overlapping field of "dangerous thoughts"; (d) of the reported breakdown of Tai Li's intelligence organization in occupied China due to successful Japanese

counter-espionage; and (*e*) of the criticism of Tai Li and his Gestapo which Mme. Chiang heard in the United States and her impression gained there that Americans believed that Tai Li rather than the Gissimo ^{31a} actually controlled China through his ruthless utilization of Nazi and Japanese political police methods.

According to a personal friend of Tai Li, the latter has not been dismissed but has been ordered henceforth to restrict himself to the more legitimate phases of the organization's activities—military and political intelligence in the occupied areas and counter-espionage—and that his former political police activities will hereafter be directed by Mao Chin Hsiang, brother-in-law of the Gissimo by his first marriage.

. . . Tai Li boasts that he has agents even in Japan and it is not unlikely that he maintains a considerable organization in the United States as probably the Kuomintang Secret Service does also.

ATCHESON

893.00/15138

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

No. 1564

CHUNGKING, September 10, 1943.

[Received October 9.]

SIR: I have the honor to refer to the Department's air mail instruction no. 351, July 27, 1943 enclosing a copy of a confidential despatch from London on the subject "Present Conditions in Chungking as seen by the British Embassy".³² Reference is also made to this Embassy's telegram no. 803, May 28 and the Department's no. 758, June 15³³ and to this Embassy's despatch no. 1529, August 31, 1943.³⁴

(By way of passing comment: The British Embassy's memorandum enclosed with the Department's instruction seems in general to reflect the *laissez faire* attitude which characterizes certain aspects of British policy toward China.)

As indicated in our despatch no. 1529, we concur, with important qualifications, in the statement in the British memorandum that the temporary maintenance of the present situation in China seems to depend greatly on crop prospects. This statement is qualified by the British Embassy with one proviso—that the weight of Japanese attacks upon the Chinese is not substantially increased. We would add

^{31a} Generalissimo Chiang Kai-shek.

³² Instruction No. 351 not printed; for its enclosure, see p. 70.

³³ For latter, see p. 604.

³⁴ *Post*, p. 444.

a number of other equally or more important provisos. We would say providing also (1) that Allied victories and especially American victories in the Pacific continue; (2) that continuing and increasing air support is supplied the China theatre and becomes an increasingly effective striking force against the Japanese; (3) that endeavor to recapture Burma is not delayed too long, i. e., until for example next summer; (4) that an early campaign to recapture Burma is successfully carried through; and (5) that victory over Japan is brought much nearer in point of time before the present deterioration in China (economic, military, political and administrative) is allowed to continue for a protracted period (say, no longer than one more year).

As indicated in despatch no. 1529, the circumstance that the vast majority of the population of free China is agricultural precludes the probability, despite the fantastic inflation rate, that a general economic collapse will occur in the same time ratio as that of the collapse in Austria in the years 1921-23 after a parallel (in terms of currency expansion) seven year period of inflation.

But the economic deterioration cannot be permitted to progress along its present course indefinitely without risk of the most serious consequences.

We have reported from time to time in regard to the military deterioration which continues without sign of abatement; we have reported in regard not only to the worsening of morale of Chinese troops due to malnutrition and to inactivity but also in regard to the consequent development on some borders between free China and Japanese dominated areas of a virtual truce under which Chinese military and others engage in extensive smuggling and trade (with strategic materials and essential commodities going to the Japanese and currency and so-called luxury goods coming into free China) and pursue other gainful activities for purposes of subsistence and profit. We mentioned in our telegram no. 803, May 28 that the tendency on the part of the military as well as other Chinese to make the best of the realities of the situation was apparent in the growing trade and smuggling between unoccupied and occupied China and we suggested that if this tendency should remain unchecked there was a strong possibility of the further extension of the already extensive (if unstable) armed truce in various sections between the two areas, with the Japanese and their puppets peacefully consolidating their positions as they have in Manchuria, and with free China becoming more and more economically dependent upon the other area.

We have also reported at length in regard to the political and administrative deterioration. We have described the increasing tendencies of the Government to utilize repressive fascist practices and the breaking of morale of lower bracket officials because their positions

no longer provide them an honest livelihood and even the desertion of minor officials to the puppets for that reason. We have reported also the expansion of purely civilian trade between occupied and unoccupied areas and the seemingly growing intercourse by civilian travelers between the two areas for commercial and sometimes for political purposes. The British Embassy mentions that there has always been some contact between the Chungking Government and the Nanking regime and that this is being maintained; we have reason to believe that it is increasing in the sense that contact between individual officials of the two regimes is increasing.

The question of what remedial measures might improve the situation does not appear to have been considered in the British Embassy memorandum. It seems to us that this question largely resolves itself into military problems. As current American victories in the Pacific (and Allied victories in Europe) tend to sustain (or retard the deterioration of) confidence and morale, acceleration of American victories in the Pacific would have increased beneficial effects upon Chinese morale, and therefore upon Chinese economy and finance. Early recapture of Burma would without question exert, by resultant restoration of confidence, a highly beneficial effect upon China's economy and finance. On the other hand, an attempt to recapture Burma ending in failure would be in the nature of a disaster of the first magnitude (Embassy's telegram no. 1649, September 7, 1943). Capture of Formosa or of ports and bases on the China coast from which to launch direct attack on Japan would have an effect perhaps even greater than would recapture of Burma. (The magnitude of the task of effecting such remedies is indication of the drastic nature of China's needs.)

It is our considered opinion, in the light of the various inter-related aspects of the situation, that the most potent factors—actually the determining factors—are and will continue to be those comprised in military developments within China and in areas adjoining China.

Respectfully yours,

GEORGE ATCHESON, JR.

740.0011 Pacific War/3425 : Telegram

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

CHUNGKING, September 11, 1943—11 a. m.

[Received September 12—2: 43 p. m.]

1674. 1. General Hearn, in the absence of Stilwell, came to see me last evening. He said Stilwell and he were much concerned over situation here in respect to military matters. The current CEC³⁵

³⁵ Central Executive Committee of the Kuomintang.

session was apparently failing, through lack of interest, to give even lip service consideration to prosecution of war in this theater (a circumstance which Embassy has so far hopefully refrained from reporting) and the gathering here of military leaders from all parts of French [*Free*] China seemed to be chiefly for the purpose of discussion of Kuomintang-Communist differences (Embassy's 1664, September 9³⁶). He said that Chinese were doing practically nothing to help military situation; even construction of absolutely essential airfields and roads (such as the Kunming-Proshan road) was far behind because of lack of push by Chinese Government, failure to allocate sufficient funds for the work, failure to provide labor to do the work and failure to prevent hoarding of construction materials and to keep prices down to a point where such materials could be obtained.

Hearn said that the Generalissimo and other Chungking high military authorities well knew how Stilwell and he feel about the whole picture but apparently Chiang hesitated to attempt to launch effective military, administrative, financial and other effort (including conscription of labor) because he was not certain of adequate backing from below. Hearn asked if there was any way in which I could help cause improvement in situation by approaching civil officials of Government who might at this time be in position to exert influence or by other means.

2. After some discussion I said I would be glad to make the effort and would privately and informally approach officials (such as Kung, Wang Chung-hui,³⁷ Wu Teh-chen,³⁸ Sun Fo) who might be willing and able to accomplish something. I said that I could mention to them the apparent lack of interest of CEC in vital problem of getting on with the war against Japan; that I feared this would be noted abroad especially with the Burma campaign in offing; that Lord Mountbatten was reportedly coming to China to survey the situation and our military feared that he would receive a most unfavorable impression of it; that our military felt that Yunnan Province was in a very vulnerable position due to lack of adequate measures for defense or offense including protected airfields and roads; that airfields and roads in question were of vital importance to Chinese and American forces in undertaking a campaign in Burma; that it was common belief among foreign military observers that under present conditions the Japs if desirous of making the effort and if willing to pay the cost could succeed in capturing or cutting off Kunming; that with Kun-

³⁶ *Post*, p. 327.

³⁷ Secretary General of Chinese Supreme National Defense Council.

³⁸ Secretary General of Kuomintang Central Executive Committee.

ming isolated or in Jap hands, it would be impossible to fly further supplies into China from India and Chungking could be readily bombed; that I was accordingly approaching Chinese leaders quite frankly and with unconcealed perturbation in earnest hope that they would exert influence to rectify it. Hearn asked that I carry this suggestion into effect and I am accordingly calling on Kung and others as soon as calls can be arranged.

3. Another suggestion in which Hearn heartily concurs is that a message from the President to Chiang might be very helpful as giving Chiang both armor and ammunition with which to take necessary forthright action. (Although CEC session is about to close the People's Political Council is to meet within a few days.) Such message (in comparatively mild form) might be to the effect that on the occasion of the formal gathering of Chinese leading statesmen and generals in whose hands rest the direction of China's war effort in partnership with the United States and other Allies, the President wishes to assure the Generalissimo that in forthcoming joint military effort in this theatre against Jap forces the United States (and Britain?) forces are not fully prepared but are wholly determined to fight through, side by side with Chinese until objective of reopening the land route to China is attained; that in North Africa, Sicily and southern Italy it has been by supreme test of all-out effort, whole-hearted mutual assistance, unrestricted pooling of resources and complete coordination of American and British forces acting as one that success has been achieved; that the supreme test in offensive against Japanese forces in Burma will be whether the Allies there can similarly muster and weld together their resources and energies in a task whose success is so vital to China and in general to advancing of Allied march on Japan. (Hearn suggested the matter might also be brought to attention of Mr. Churchill.)

4. It is reported by a reliable informed source but not confirmed that the group in Government which has been advocating use of force against Communists has succeeded in having the CEC agree to issuance of a manifesto which is to be in nature of an ultimatum to the Communists.

5. As stated in our 1649, September 7, failure of an attempt to recapture Burma would be a disaster to Chinese morale of first magnitude. I recommended with all earnestness that something along the lines suggested in paragraph 3 be taken without delay in conjunction with such efforts as we may appropriately make here. In this connection I mention our recent reports indicating the surprising influence and weight which American opinion and criticism can have upon Chinese Government and leaders—surprising perhaps because we may not heretofore have fully realized how acutely aware the Chinese are

of the extent to which they are and will continue to be dependent upon us.

ATCHESON

740.0011 Pacific War/3440 : Telegram

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

CHUNGKING, September 15, 1943—9 a. m.

[Received 2:24 p. m.]

1711. Embassy's 1674, September 11. I have seen Dr. Kung, Vice President of Executive Yuan; Dr. Sun Fo, President of Legislative Yuan; General Wu Teh-chen, Secretary General of the CEC; Dr. Wang Chung-hui, former Foreign Minister and now Secretary General of Supreme National Defense Council; and Dr. K. C. Wu, Acting Foreign Minister.³⁹ They received my remarks in most friendly fashion; some of them showed concern and considerable interest and said they would see if they could do anything to be helpful. Dr. Wang said that he would have a thorough discussion with the Gmo.⁴⁰ Dr. Wu has told me that he went immediately to the Gmo.

I was, I believe, able to communicate to some of them the perturbation felt by our military. But while there may possibly ensue some improvement in airfield and road construction, I am much afraid that in general the attitude of the Gmo and other military and political leaders is in line with that of Dr. Kung from whom I gained the clear impression that the surrender of Italy has confirmed the widespread Chinese feeling that there is no longer need for China to put forth greater effort in the war and that China can continue with increased complacency to sit back and wait for U. S. and British to crush Japan. (The Gmo's extraordinary optimism as to the early termination of war and in regard to the economic situation as he is quoted in Embassy's 1692, September 12,⁴¹ is a reflection of this feeling.) Dr. Kung indicated that he considered the question of a Burma campaign was now of comparatively minor importance and that even the recapture of Burma would not, because of transport limitations and difficulties, greatly affect China one way or other. He felt that the surrender of Italy now made it possible for British and American fleets to come very soon to Indian Ocean and he suggested that recapture of Singapore and then occupation of Haiphong would be appropriate steps for Allies to take looking to a nearly direct attack upon Japan. When I remarked that the problems of defense and

³⁹ For a more detailed report of these conversations, see despatch No. 1589, September 17, from the Chargé in China, p. 121.

⁴⁰ Generalissimo Chiang Kai-shek.

⁴¹ *Post*, p. 331.

of a Burma campaign were immediate, he said that there was no reason why the naval campaign he has suggested could not be undertaken and accomplished this year.

I venture to suggest that if consideration is being given to recommending that the President send General Chiang congratulations on his assumption of the Presidency of China, this might provide spring-board for a message such as suggested in our 1674.

ATCHESON

740.0011 Pacific War/3425 : Telegram

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

WASHINGTON, September 17, 1943—10 p. m.

1302. Embassy's no. 1674, September 11, 11 a. m.

1. The Department has given careful consideration to the matters set forth in the reference telegram and has noted the concern felt by General Stilwell and General Hearn in regard to Chinese apathy to the military situation.

2. The Department approves your contemplated line of approach to various Chinese officials in an endeavor to bring about an improvement in this situation. It is suggested also that in his discretion, the Ambassador, when calling on the Generalissimo, mention, in connection with our own increasing offensive efforts in the Pacific, the great importance attached by us to vigorous prosecution by China of the war against Japan by all means at her disposal.

3. Please report reactions of Chinese officials to your approaches and to any informal approaches made by the Ambassador. The question of the desirability of despatching a message from the President to the Generalissimo on this subject will be given careful consideration upon receipt of the Ambassador's comments and views.

HULL

893.20/792

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

No. 1583

CHUNGKING, September 17, 1943.

[Received October 14.]

SIR: I have the honor to enclose a memorandum of conversation, dated August 31, 1943,⁴² with the Reverend Charles L. Meeus, China correspondent of a Catholic publication in the United States and an employee of the Chinese Ministry of Information, and the Reverend

⁴² Not printed.

Leo J. Ferrary, an American Catholic in charge of the Office of the Apostolic Delegate to China, in regard to the anti-Chinese feeling existing among American armed forces in China.

Summary. General Chiang Kai-shek is said to be concerned over the anti-Chinese feeling existing among American armed forces in China, reports of which were received by Madame Chiang from American sources during her recent visit to the United States. The only solution to this problem contemplated by the Chinese authorities is the assignment of interpreters to American troops and various forms of entertainment. Most observers are of the opinion that this feeling is unavoidable in view of the restriction of the soldiers' contacts to lower class Chinese and that little can be done to change this feeling. A program of lectures by and discussions with Chinese university professors is now being planned under the Army's auspices. *End of summary.*

Father Meeus, who states that he is employed by the Ministry of Information for propaganda work in the United States (through the Catholic publication which he represents and through tours of the United States made by him at the instance of the Ministry), asserts that General Chiang Kai-shek is concerned over the anti-Chinese feeling among American armed forces in China, evidence of which was given to Madame Chiang during her recent visit to the United States in numerous letters to her quoting statements from letters received by persons in the United States from American soldiers in China. Writers of these letters to Madame Chiang, some of which were unsigned, are said to have criticized statements made by her in speeches, charging that her picture of a unified, democratic and patriotic China was at variance with that given by American soldiers in China. The soldiers' personal distaste for China and the Chinese was also reflected in the letters. General Chiang has instructed Dr. Hollington Tong, Vice Minister of Information, to take steps to correct this situation, but Dr. Tong reportedly has recommended only the assignment of about 400 interpreters to the American armed forces and the provision of entertainment by jugglers, musicians and actors.

The Embassy feels that this situation gives added reason for the setting up of a program of some kind for the purpose of combatting this widespread anti-Chinese feeling among the American troops. While there is no certainty that the program envisaged by Dr. J. K. Fairbank,⁴³ in conjunction with the American Army authorities in China (Department's telegram No. 950, July 24, 2 p. m. and Embassy's telegram No. 1425, August 11, 10 a. m.⁴⁴), will be effective in changing this feeling, the program deserves serious consideration in that as the war goes on there will probably be increased numbers of American

⁴³ Representative at Chungking of the Interdepartmental Committee for the Acquisition of Foreign Publications.

⁴⁴ Neither printed.

soldiers in this country. The feeling among the troops now stationed here will inevitably have its effect on all those who may arrive in the future.

The American Army authorities are not unaware of this feeling, but they apparently consider that it will be extremely difficult to eradicate such feeling among American soldiers whose contact with and knowledge of the Chinese scene is confined chiefly to servants, coolies and shopkeepers. One American officer, who has had some experience with similar conditions in India, states that the most effective means of changing this feeling will come from actual combined military operations of the troops of the two countries against the Japanese. A well known Chinese educator states that this feeling is inevitable and that, while it is undesirable to have American soldiers now in China return to the United States with an unfavorable picture of this country, there seems to be no real solution to the problem for the vast majority of the troops.

Respectfully yours,

GEORGE ATCHESON, JR.

740.0011 Pacific War/3451½

*The Chargé in China (Atcheson) to the Secretary of State*⁴⁵

No. 1589

CHUNGKING, September 17, 1943.

[Received October 14.]

SIR: I have the honor to refer to the Embassy's telegrams nos. 1674, September 11, and 1711, September 15, in regard to the concern of Generals Stilwell and Hearn over certain aspects of the present and pending military situation in this area.

There are now enclosed, for purposes of record, memoranda of conversations⁴⁶ on this subject which I have had with Dr. K. C. Wu, Acting Foreign Minister; General Wu Teh-chen, Secretary General of the Central Executive Committee of the Kuomintang; Dr. Wang Chung-hui, Secretary General of the Supreme National Defense Council; Dr. Sun Fo, President of the Legislative Yuan; and Dr. H. H. Kung, Vice President of the Executive Yuan and concurrently Minister of Finance. The general substance and tenor of these conversa-

⁴⁵ Upon receipt of this despatch, Troy L. Perkins of the Division of Far Eastern Affairs addressed a memorandum dated October 20, 1943, to the Under Secretary of State (Stettinius) and the Assistant Secretary of State (Long) in which he reviewed the correspondence, concluded that these conversations had not materially altered the situation, and recommended that "You may wish, therefore, to give consideration to the advisability of bringing this situation, which is of concern to our military commanders in China, our Embassy, and to this Division, to the attention of the President."

⁴⁶ Four enclosures not printed.

tions were reported and commented on in our telegram no. 1711, September 15 referred to above.

It is too early to say whether the conversations have been definitively productive to any degree as regards the particular problems to which they were addressed. As mentioned in our 1711, September 15, the Chinese officials with whom I talked received my remarks in most friendly fashion, some showed interest and concern and some said that they would endeavor to have appropriate action taken. But Dr. Kung, who holds the second highest place in the Government, indicated that in his view the surrender of Italy had relegated the problems presented to a comparatively minor place because he believed that Allied naval forces in strength could now speedily be sent to the Indian Ocean for recapture of Singapore and occupation of Haiphong as preliminary steps toward direct attack upon Japan.

Prior to Italy's surrender it was apparent that most leaders of the Chinese Government were pinning their principal hopes for the immediate future upon an early campaign to retake Burma. We feel that now Dr. Kung's attitude reflects that of President Chiang Kai-shek and others who, in a manner not uncharacteristic of a people as volatile as the Chinese, have been seeking escape from their present seemingly insurmountable economic problems by indulgence in an unjustifiable optimism for the future. We have reported the surprising optimism as to an early termination of the war expressed by the Generalissimo in his "instructions" to the recent plenary session of the Central Executive Committee and the even more astonishing optimism he expressed in regard to the unabated spiraling of inflation and the pressing economic situation in general. We reported previously our considered opinion, gained from observation and conversation with numbers of Government officials, that the Chinese, weary from the heavy burdens and trials of the past six years, have persuaded themselves that China has done its share and psychologically have withdrawn into roseate dreams of a prosperous post-war China while waiting for us and the British to accomplish the task of defeating Japan and of bringing their post-war dreams into being.

In the final manifesto of the CEC session⁴⁷ issued on September 13, some emphasis was laid on the war of resistance against Japan. In the light of the further evidence we have recently had of the power of American criticism upon Chinese leaders, this last moment lip service to a subject which had been almost completely ignored throughout the session, is probably not unrelated to the conversations described in the enclosed memoranda. But emphasis in the manifesto, such as it is, was only on "resistance"; there was not even a platitudinous appeal for forthright or offensive action.

⁴⁷ See telegram No. 1706, September 14, from the Chargé in China, p. 335, and subsequent telegrams.

We may, however, take encouragement from the very fact that American criticism or fear of criticism exerts a far-reaching influence in Chinese official circles and that we undoubtedly possess a powerful lever which can sometimes be used to advantage. There is little question in our minds and in the minds of other foreign observers here that, as we have indicated in our reports, the recent changes in the organic law relating to the office of President (although the apparent endeavor to set up the semblance of the chief executive office of a Western democracy has merely confirmed Chiang Kai-shek's personal dictatorship), the CEC session's apologetic announcement for post-war constitutional government and the mildness of the session's pronouncement in regard to Kuomintang-Communist difficulties were all in considerable part the result of efforts by China's leaders to improve the appearance to the United States of things as they were and to avoid ill opinion in the United States.

We accordingly feel that the conversations have been in the right direction and that as regards the Kuomintang-Communist difficulties they have been definitely helpful especially as the CEC session opened with an influential "war party" of die-hards crying for punitive action against the Communists. But the conversations have not succeeded and probably will not succeed, without substantial support from home, in influencing the Chinese Government to set itself to work to increase by military action or other forthright affirmative means China's participation in the war against Japan.

Respectfully yours,

GEORGE ATCHESON, JR.

[Enclosure]

Memorandum by the Chargé in China (Atcheson) of a Conversation With the Secretary General of the Central Executive Committee of the Kuomintang (Wu)

[CHUNGKING,] September 11, 1943.

I called on General Wu this afternoon by appointment, and went over the situation with him closely along the lines of my remarks to Dr. Wang Chung-hui (memorandum of September 11⁴⁸).

General Wu said that he was very glad indeed that I had come to him and he was sure that if the Generalissimo and General Ho Ying-chin were completely aware of the situation that effective orders to rectify it would be issued at once. I said again that General Stilwell had of course been in frequent conference with the Generalissimo and General Ho and fully realized that both were very anxious to see that everything possible was done to get matters forward but that our military had a feeling that there were some strata of military officials and

⁴⁸ Not printed.

others below the Generalissimo and General Ho who were not taking sufficiently effective action pursuant to their orders from above.

General Wu said that he would see what could be done and that he realized fully that the matter was one of great importance to both China and the United States. He said that as regards the apparent lack of interest of the CEC in the war against Japan, the meetings here included the calling together of the General Staff and the military situation in China was of course a subject of discussion. As regards the Communist situation he said that this was only one of a number of problems; that the Chinese Government realized it was most unfortunate that it had to immobilize "twenty divisions" including some of China's best troops to guard its rear against the Communists while at the same time facing the Japanese and that, as I had mentioned, one result of this situation was that neither those twenty divisions nor the Communists were actively fighting the Japanese. He said that the CEC was, he thought, going to appeal to the Communists to fulfil their promises of 1937 in the hope that this situation could be improved; that no Government of course could permit the existence within its borders of another and independent government with an army such as the Communists maintained.⁴⁹ I made it clear that our military had no complaint against Dr. Tseng Yang-fu and fully appreciated Dr. Tseng's energetic efforts.

After discussing various other phases of the situation in China and some aspects of Sino-American relations, General Wu thanked me again and said that we should talk together oftener, and I departed.

GEORGE ATCHESON, JR.

740.0011 Pacific War/3440 : Telegram

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

WASHINGTON, September 18, 1943—midnight.

1315. Embassy's 1711, September 15, 9 a. m. Reference final paragraph.

1. Present expectation is to send congratulatory message upon Generalissimo Chiang Kai-shek's formal inauguration,⁵⁰ date of which, according to the Chinese Embassy, is to be fixed later.

2. Further consideration will be given to despatch of message suggested in Embassy's 1674, September 11, upon receipt of the Amba-

⁴⁹ In his memorandum of conversation with Dr. Kung, Mr. Atcheson stated that the latter also took "almost the same line as that taken by General Wu Teh-chen" on this subject.

⁵⁰ As President of the National Government of the Republic of China; see note from the Chinese Ambassador, September 15, p. 339.

sador's views and an indication of the Generalissimo's reaction to any informal approach the Ambassador may decide to make on this subject.

HULL

893.00/15136

The Chinese Minister for Foreign Affairs (Soong) to the Secretary of State

WASHINGTON, September 18, 1943.

MY DEAR MR. SECRETARY: It is with great pleasure that I read your statement on the anniversary of the "Mukden Incident".⁵¹

Your message not only brings home to the American people the significance of the march of events in the Far East since 1931 and the repercussions throughout the world, but will have a heartening effect on the Chinese people who now know that their struggle has become the common cause of the American people and other peace-seeking nations.

I know that I am voicing the sentiments of my countrymen in China when I offer you, Mr. Secretary, my heartiest appreciation.

Yours sincerely,

TSE VUN SOONG

893.00/15144

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

No. 1591

CHUNGKING, September 18, 1943.

[Received October 14.]

SIR: Referring to the Embassy's despatch No. 1564 of September 10, 1943, in regard to the situation in China, I have the honor to enclose a copy of despatch No. 38 of August 24, 1943,⁵² from the Consul at Kweilin⁵³ on the subject of general conditions in this country.

Mr. Ringwalt indicates in his despatch, which contains a brief summary, his opinion that the situation in China is steadily growing worse and that the deterioration will, if unchecked, make impossible any material contribution from China to the war effort.

The Embassy is inclined to agree in general outline with Mr. Ringwalt's dark picture of conditions in China but feels that he is perhaps unduly pessimistic with regard to the implicit possibility of a serious crisis in the near future. In any case, as it appears unlikely that the Government will take effective action to ameliorate the political,

⁵¹ Public statement of September 16, 1943, Department of State *Bulletin*, September 18, 1943, p. 179.

⁵² Not printed.

⁵³ Arthur R. Ringwalt.

economic and military deterioration described in both Mr. Ringwalt's despatch and in the Embassy's despatch under reference, China's contribution to the war effort can be expected to remain merely a passive rather than an active one.

We would reaffirm our opinion that the maintenance of the situation in China will continue to depend greatly both on the food supply and on military considerations, especially military considerations in the Far Eastern theater, and that accelerated Allied successes in the Southwest Pacific and successful direct action in China and adjacent areas should best serve to keep the deterioration from progressing to the point of disaster.⁵⁴

Respectfully yours,

GEORGE ATCHESON, JR.

893.00/15125

The Secretary of War (Stimson) to the Secretary of State

WASHINGTON, September 20, 1943.

[Received September 21.]

DEAR MR. SECRETARY: YOUR letter of August 26th, calling attention to the article by Mr. Hanson W. Baldwin in the August issue of the *Reader's Digest* entitled "Too Much Wishful Thinking About China," and to comments by Mr. Rodney Gilbert which this article inspired in the *New York Herald Tribune* on August 16th, has had my close study.

You will appreciate my grave concern at the closing paragraph of your letter in which you express your own belief "that there may be some basis of fact" in Mr. Gilbert's assertion that Mr. Baldwin's derogatory opinion of China as an effective military force was inspired by high-ranking officers in Washington.

I am unwilling to believe that high-ranking officers have made such statements to Mr. Baldwin, but I shall immediately investigate the matter in order that I may be certain that if such errors have been made in the past they shall in no event continue in the future, and that there shall be no such further cause for embarrassment to this country's relations with China.

I can readily understand the distress which Mr. Baldwin's opinions should have caused in Chungking. But I am confident that such resentment as is held will be directed toward Mr. Baldwin and not

⁵⁴ In a memorandum dated November 9, Troy L. Perkins of the Division of Far Eastern Affairs made the following comment on one aspect of the military situation in China, as described by the Consul at Kweilin: "One item, if true, is startling: It is reliably stated that at the time of the invasion of Chekiang and Kiangsi in 1942 [Japanese destruction of possible air bases], the troops under General Ku Chu-t'ung numbered only 25 percent of their nominal strength, and they were only coolies engaged in transportation of contraband."

against the War Department, whose policy of mutual respect and cooperation is too well known to responsible Chinese leaders to be placed in jeopardy by the statement, however disturbing, of a single commentator.

Sincerely yours,

HENRY L. STIMSON

898.00/786

Memorandum by the Assistant Chief of the Division of Far Eastern Affairs (Vincent)

[WASHINGTON,] September 21, 1943.

With reference to Chungking's despatch no. 1254 of June 12, 1943, special attention is invited to the final paragraph in which the statement is made that General Hsiung Shih-hui, recently head of the Chinese Military Mission to the United States, returned to China with a strong anti-American attitude, according to reports, and with an inclination to align himself with members of the so-called "Peace Party" which favors making an endeavor at some appropriate time to come to terms with the Japanese.

General Hsiung's period of assignment in Washington was not a happy one or one which benefited Chinese-American relations. This was due in large part to the treatment which General Hsiung received in this country. The military services treated him with scant courtesy and consideration and his general reception in Washington left much to be desired.

The character and background of General Hsiung may explain but not excuse the treatment he received. He did not speak English. He was not in the strict sense a military man. He was what is described in China as a "political general". For many years prior to his coming to Washington he was Chairman of the Kiangsi Provincial Government. He is an ultra-conservative Kuomintang official.

Nevertheless, he came as the special emissary of General Chiang Kai-shek. He is one of Chiang Kai-shek's most intimate and trusted officials. It is therefore much to be regretted that he was permitted, because of the treatment he received here, to return to China with what he no doubt feels are justifiable causes for complaint and with an unsympathetic attitude toward the United States.

It is interesting to observe that General Hsiung, probably one of the most representative officials that the Kuomintang Government could have sent to Washington, failed in his mission. This thought raises the question whether envoys who are most representative of the governments which send them abroad actually are able best to represent those governments.

With regard to the statement in the reference despatch that General Hsiung was to be appointed Secretary General of the National Planning Board, you will recall that this appointment of General Hsiung was gazetted a month or so ago. It is considered unfortunate that a man of General Hsiung's character should have been appointed to this important position which may have a very large influence in shaping China's post-war plans, development and policies. From the American point of view it is particularly unfortunate if, as reported, he has returned to China with an anti-American bias.

893.00/15079

Memorandum by Mr. Robert B. Stewart of the Division of European Affairs

[WASHINGTON,] September 22, 1943.

REPORT ON CHINA

Minister Nelson T. Johnson⁵⁵ in his despatch no. 505, July 19,⁵⁶ submits an interesting secret letter on China written by an Australian newspaper correspondent, together with his own excellent comments. The correspondent's stated purpose in this letter was to send his paper, the *Sydney World Herald*, not for publication but for background purposes, material on "the black side of China" which he was unable to send through the Chinese censorship. The picture which he paints is a very "black" one indeed, although there is little of substance that is new. His main points are:

1. "There is little war in China as we understand war," and the war communiqués about heavy fighting are "mostly lies."

2. The Chinese Government is already preparing for civil war with the Communists and is storing away for this purpose war supplies provided by the Allies.

3. "The Chinese currency system is collapsing." Inflation "has reached a really dangerous stage" and "is now paralyzing industry."

4. "The general incompetence and corruption are almost unbelievable." The famine at Honan for example, "was the result of stupidity and graft" and caused the death of between four and five million people. "One of the worst rackets in China has been the cornering of medical supplies." Among the Chinese forces on the Yellow River front losses through disease and malnutrition are reported to be 25 percent a year.

5. The Generalissimo "is now an Emperor in all but name" and "some of the finest brains in China are working to keep him misinformed."

⁵⁵ Minister in Australia, former Ambassador in China.

⁵⁶ Not printed.

6. Some of the officials of the H. H. Kung group who practice "all sorts of financial abuses" in his name are reported to want "an arrangement with Japan."

7. Planes sent to China have been held in reserve or hidden in the hills.

Mr. Johnson submits this report to the Department because it is "interesting not only as a commentary by an independent newspaperman, but also as throwing some light upon the kind of background material that is influencing to a very large extent the outlook of Australians and the British generally on the situation in the Far East."

Although regarding the newspaperman's report as "an unbalanced story," Mr. Johnson does not attempt to deny the truth of the facts presented. Instead he states: "I think that all of the information contained in this letter is well known at home. Certainly there is very little of it that is new to me." However, Mr. Johnson's interpretation places these facts in a very different perspective.

Shortages among civilian populations because of requisitions for the armed forces, he points out, occur not only in Honan but also in Germany, and even in Australia and the United States. As regards the situation in Honan, Mr. Johnson holds that Chinese military requisitions are not solely responsible but that the Japanese "have also taken grain from the Province."

On the correspondent's statement that Russian and French planes have been held in reserve or hidden in the hills, Mr. Johnson adds that these planes are ineffective against the Zero plane, and, furthermore, that since gasoline is so scarce no plane will be in the air that does not have to be there.

On the general question of the position of China in the war Mr. Johnson replies most effectively and convincingly:

"Certainly every American citizen, no matter what the Chinese do in the war now, must be grateful for the eleven years of opposition that the Chinese have put up to the highly-organized Japanese aggression,—opposition which has placed China definitely on our side of the fence, and not on the side of the Japanese."⁵⁷

⁵⁷ On October 1, the Adviser on Political Relations (Hornbeck) penciled his observations to the Secretary of State as follows: "You need not read any of what lies hereunder. I wish to call attention, however, to what to me are the most interesting features of the exhibit: namely, that an Australian newspaper correspondent wrote, after having spent a few weeks in China, an exceedingly pessimistic picture of China and the situations therein; and, our Minister to Australia, Johnson, having been shown the 'secret letter' in which this estimate was given, wrote for the benefit of an officer of the United States Army forces in Australia who had sent him a copy, a very sensible letter of comment, making some very thoughtful comparisons and putting the China situation in a common-sense perspective. S. K. H."

740.0011 Pacific War/3487

Memorandum of Conversation, by the Ambassador in China (Gauss)⁵⁸

[CHUNGKING,] September 25, 1943.

Present: Lieutenant General Stilwell
Major General Hearn, Chief of Staff
Mr. Gauss

General Stilwell came in to see me at noon today, following my return to Chungking. Major General Hearn was with him.

I commented that I had been going over with Mr. Atcheson the complaint regarding the complacent attitude of the Chinese toward the war, the representations made informally by Atcheson in influential quarters, and the possibility of further effort on our part in this matter. I asked Stilwell whether there had been any improvement in the situation.

He said "No" but later qualified that statement by saying that the Chinese have restored the one-third of the appropriations for roads and air fields which they had previously cut, but they still were not making the proposed road a main highway; and he emphasized that there will be no real improvement in the situation until the present Minister of War⁵⁹ is gotten out of office. He mentioned as an example that while 90,000 troops are required for replacements in Yunnan only about 60,000 have been ordered there and of that 60,000 probably only about 40,000 will arrive; then perhaps another 20,000 will be ordered in and only a percentage of them will arrive, and so on.

I told Stilwell that when I see the Generalissimo I intend if possible to mention—in connection with our own increasing offensive efforts in the Pacific—the great importance attached by us to vigorous prosecution by China of the war against Japan by all means at China's disposal. I commented that I felt that with increased activity by the United Nations in other theaters in the Pacific and as the Japanese are compelled to withdraw, their withdrawal in my opinion might be into China and before the war is won we may expect considerably increased military activity in the China theater requiring an all-out effort of preparation in this theater. Stilwell agreed with this, saying that he has been preaching the same thing for some time.

I mentioned in confidence that consideration is being given, at the suggestion of the Embassy, to a recommendation that the President include in his congratulatory telegram to Chiang at the time of the latter's inauguration as President of the National Government—in the first half of October, likely—an expression of his hope for or con-

⁵⁸ Copy transmitted to the Department by the Ambassador in China in his covering despatch No. 1626, September 27; received October 13.

⁵⁹ General Ho Ying-chin.

fidence in China's vigorous prosecution of the war along with the increasing United Nations effort in other Pacific theaters. I said that I favored such action. This congratulatory telegram might be a suitable and convenient vehicle for a carefully phrased message, the intent of which would not miscarry.

Stilwell said he favored such a message. He has been urging constantly that China be prodded into increasing activity.

During the course of our conversation I took occasion to say to Stilwell that it had occurred to me in going over the files on the subject of China's slackening war effort and the delay in providing air fields, roads, etc., that Stilwell has an "ace in the hole" which it seemed to me he might consider playing, however unorthodox from a military point of view such action might seem; that is, he might consider having General Chennault visit Chungking and, after briefing him, let him have one of his intimate talks with the Generalissimo and urge the necessity of getting these things done which he needs in the military effort. I said that Chennault's position with the Generalissimo is unique and I believe he could add a considerable weight in the general picture.

Stilwell apparently did not take to my suggestion. He commented that Chennault of course is being used; he (Chennault) needs these air fields and roads and so on, but "we all need them"; and he intimated that Chennault is one of those who think we should use American money and go ahead and build them—not look to the Chinese to provide them.

I dropped the matter there, feeling that I had gone as far as I could in intimating to Stilwell that Chennault probably has more effective influence with the Chinese Government in military matters than has Stilwell or any of the rest of us, and that, having in mind always the end in view—which is what counts—it might be desirable to bring Chennault more effectively into the picture. I feel that if more cordial relations existed between Stilwell and Chennault and they could act in harmony more could be gotten from the Chinese.

C[LARENCE] E. G[AUSS]

[The memorandum printed *supra* was forwarded to the Adviser on Political Relations (Hornbeck), the Assistant Secretary of State (Long), and the Under Secretary of State (Stettinius) in a memorandum dated November 3 by the Chief of the Division of Far Eastern Affairs (Ballantine). In his memorandum Mr. Ballantine explained that "with reference to the Ambassador's suggestion . . . that the President include in his congratulatory telegram to Generalissimo Chiang upon the latter's inauguration as President of China an ex-

pression of hope for or confidence in China's vigorous prosecution of the war, this matter was given careful consideration in the Department and it was decided that it would not be appropriate to include such a statement in the President's congratulatory telegram but that this disposition was without prejudice to further consideration of the question of appropriate action designed to accomplish the purpose which had inspired the Embassy's recommendations, namely, of encouraging the Chinese to increase their war effort." (740.0011 Pacific War/3487)]

740.0011 Pacific War/3461 : Telegram

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

CHUNGKING, September 26, 1943—10 a. m.

[Received 10:40 a. m.]

1807. Reference your 1302, September 17, 10 p.m. and 1315, September 18, midnight. I have asked for appointment to pay respects to Generalissimo upon my return to China but due to sessions of People's Political Council it may be a few days before I see him. When I do so I shall follow suggestion in paragraph 2 of your 1302. Meanwhile I have spoken to Acting Foreign Minister and shall do likewise with others as I meet them, supporting Atcheson's conversations which were excellently handled. Acting Foreign Minister said instructions had been issued by Generalissimo to deal with matter.

Stilwell tells me that Chinese have restored the one-third of appropriations for airfields and roads which they had cut, but he is not satisfied with the general picture and thinks there can be little improvement until present Minister of War is ousted. No such ouster is at all likely.

Supporting Atcheson's suggestions in paragraph 3 of his 1674, September 11, I am of opinion that proposed congratulatory telegram at time of Generalissimo's inauguration as President would be suitable vehicle for carrying carefully prepared expression of confidence in vigorous prosecution by China of the war against Japan by all means at China's disposal in fullest cooperation with American and other Allied forces as the United Nations intensify their military efforts in the Pacific area.

Will report further after my conversation with Generalissimo but I do not anticipate anything of particular interest is likely to develop at that conversation.⁶¹

GAUSS

⁶¹ See despatch No. 1693, October 18, from the Ambassador in China, p. 139.

711.93/5383

*Memorandum of Conversation, by the Adviser on Political Relations
(Hornbeck)*

[WASHINGTON,] September 28, 1943.

Dr. Soong called on me at my request, for the purpose of an informal exchange of information and comment in anticipation of his early departure for Chungking.

Dr. Soong had informed me a few days ago that he expected to leave for Chungking on September 30. I took occasion to inform him that I myself am leaving within a few days for a short trip to London for purposes of informal exploratory exchange of information and comment with personnel of the B. F. O. regarding subjects in the Far Eastern field. Dr. Soong asked at once: Why shouldn't you also make a trip to China. I replied that I had for a long time, in fact for several years, had in mind a trip to Chungking; that I cannot at this moment be long away from the Department; but that I have hope of being able sometime after coming back from this trip to make a more or less similar visit to Chungking. Dr. Soong said that he and many of his colleagues would welcome such a development.

I said that I had been turning over in my mind various matters which had come up in discussion between Dr. Soong and me since his last return from Chungking—especially matters which he had mentioned to me immediately after his conversation of a few days ago with the Secretary on the subject of more extensive representation for China in connection with agencies of war planning. Dr. Soong had asked me on the telephone whether the Secretary had, before leaving, given me any message for him, Soong, regarding his latest representations. I had replied, and I now repeated it, that I had reason to believe that the Secretary had spoken to the President regarding those matters but that the Secretary had been extraordinarily hard pressed during the two days preceding his departure for Hot Springs and had given me nothing further on those subjects. I then took occasion to make a person to person statement outlining some of the difficulties in fact which stand in the way of its being possible for American officials in general to see certain problems in quite the same light in which Chinese officialdom at Chungking views them. I also took occasion to point out some of the facts in the record of the contribution which the United States is making to the war effort in its global terms and aspects, and of the assistance which the United States has rendered to China, in a variety of forms, during the period from 1937 to the present. Dr. Soong said that most of these facts were familiar to him and that he was able, generally speaking, to understand their significance and their effect as regarded the perspec-

tive in which American officials view the war problems, but that he finds it very difficult to make these things understood to his Government in Chungking: in fact, he said, it could not be expected that people there would see these things as people here see them. He said that he himself was in a difficult position. I said that I was constantly aware of some of the difficulties which attach to performance of his duties by one in his position. I went on to say that it is, it seems to me, one of the outstanding tasks of a Minister for Foreign Affairs, especially one who is able to be a part of the time in his own country and a part of the time abroad, to interpret his own country in the countries to which he goes and to interpret to his own country the countries in which he has special opportunity for first hand contacts.

Dr. Soong then said that he wanted to talk to me about the matter of Tibet. He said that, during his recent visit in London he had talked with the B. F. O. about Tibet and had explained that the Chinese regard Tibet as an integral part of China. A few days ago, he said, Sir George Sansom had come to him under instructions and had informed him of anxiety on the part of the B. F. O. regarding reports to the effect that Chinese troops are being massed on the Tibetan border. He had, he said, stated to Sir George that Tibet is an integral part of China and the Chinese Government regards relations between Chinese authorities and Tibetan authorities as a Chinese internal problem; and he had suggested that the British Government not make representations at Chungking regarding this matter. He said that he, Soong, was not informed regarding the alleged massing of Chinese troops; that he doubted whether it was a fact; but that if there was or should be such a development he did not believe that it would warrant apprehensions. There do not exist, he said, any serious tensions between the Chinese and the Tibetans. If there should arise difficulties, the Government at Chungking would have to meet the problems just as it would have to meet similar problems if they arose in any other part of China.

I took occasion to ask what proportion of the people of China proper are aware of the existence of Tibet or take any interest in that area or what occurs there. Dr. Soong replied that all Chinese who have had any schooling have learned in their study of geography that Tibet is a part of China; that it has never occurred to them that there is any question about this as a matter of simple fact; and that these are, politically speaking, the Chinese people. I then asked whether the same was true with regard to Mongolia. Dr. Soong replied in the affirmative. He went on to say, however, that, Tibet being something of a land of mystery, Chinese students and scholars gain more vivid impressions regarding that area, as they study geography and history, than regarding the more prosaic of the outlying areas. He said,

further, that he had suggested to the British that the question of Tibet was relatively of so much less importance than a number of other immediate and more significant problems of concern both to the British Empire and to China that the British ought not make or let it become an issue. I made the remark that that expression of opinion was one susceptible of being turned by the British against the Chinese. Dr. Soong replied: Yes, it might be, for purposes of argument, but, China's interest and China's claim regarding Tibet are far better founded in history and in law than are those of India and Great Britain. I made the remark that on the basis of geography Tibet abuts upon China proper on the east and upon India to the south. Dr. Soong replied: Of course, but Tibet is a part of China.

I said that I wondered what is the popular concept, from point of view geographically, historically and politically, regarding Korea.⁶² Dr. Soong replied that the Chinese in no sense think of Korea as a part, or a lost part, of an existing or a once having existed Chinese Empire. Nor, he added, do they so think of Indo-China.⁶³ In their current thinking regarding postwar settlements, the prevalent Chinese opinion runs, he said, to the idea that Korea should be put under an international trusteeship. Indo-China also, he said, the Chinese today regard as an area the disposal of which would best be made in terms of a trusteeship. There followed some discussion of difficulties which conceivably might be encountered should effort be made to apply that principle in each and/or in both of these cases.

Dr. Soong then said that he wanted to bring to my attention a situation which exists at Chungking. He said that, speaking frankly and with regret, he must tell me that relations between Chinese authorities and the American military authorities are "sour". He said that this was one among many reasons why the Chinese felt insistently that they ought to be given more extensive representation in military councils in Washington. I said that I was sorry to hear what he said regarding the situation in Chungking but that I wondered how and to what degree the question of representation in Washington could be tied up with or would bring about amelioration of an unsatisfactory relationship, as described by him, in Chungking. Dr. Soong replied that, if China were represented in combined staffs meetings here, her representative would be able frankly to report upon and to discuss such matters and there would be likelihood of their being remedied. I inquired whether, with or without such representation, China's Military Attaché or Dr. Soong himself could not present China's views—either formally or informally. Dr. Soong replied that in time of war military attachés have limited entree and little

⁶² For information regarding Korea, see bracketed note, p. 893.

⁶³ For correspondence regarding Indochina, see pp. 882 ff.

weight; and that such matters can be dealt with effectively only between and among military men functioning in constituted and authorized groups on a common high level. Dr. Soong went on to say that the Chinese find it very difficult to work with General Stilwell; Stilwell's ideas and those of the Chinese High Command do not, he said, harmonize; the Chinese feel, he said, that Stilwell is uncooperative; he, Soong, while in Chungking last spring, worked hard as a go-between and he found, he said, that practically all of the Chinese, both military and civilian, who had occasion to have contact with Stilwell found Stilwell's attitude, etc. unsatisfactory and his approach to common problems such as to constitute an obstacle to effective cooperation. He went on to say that, although Stilwell may be highly qualified as a military man and a commander of his own forces, the Chinese feel that, to qualify for high command in a position which involves widespread contact with and cooperation with personnel equal or superior in rank and not under his command, an officer needs to have personal, political and diplomatic assets in addition to his qualifications as a soldier. I called attention to various of General Stilwell's special qualifications for performance in China, such as his previous experience in that country, his knowledge of the language, his long acquaintance with and friendly feelings toward many of China's leaders, and the energy and the devotion with which he has thrown himself into the task of training and equipping Chinese soldiers and officers. Dr. Soong replied that, notwithstanding these qualifications, there were other qualifications, especially those which have to do with attitude in personal relationships, which are needed for effective performance in the task of cooperative effort which appertains to the position which General Stilwell holds—and he implied that General Stilwell is deficient as regards those other qualifications. By way, apparently, of illustrating and underscoring, Dr. Soong said that General Chennault has proven himself to be an outstanding military man and at the same time has effectively cooperated with and has become and is *persona grata* with and among all of his Chinese contacts. I remarked that it is gratifying to us to hear this regarding General Chennault, but I could not but wonder whether, as between General Stilwell and his Chinese contacts, there is not some fault on the Chinese side. We have in fact, I said, heard made in criticism of the Chinese not a few statements similar to those which Dr. Soong had just made to me regarding Stilwell. Dr. Soong replied that probably there was some fault on the Chinese side, but that, fault or no fault, and regardless on which side the greater fault lies, the simple fact is that in the relations between his Chinese contacts and Stilwell there is not mutually and reciprocally the harmony, the cooperativeness and the effectiveness which should exist in such a relationship.

Under those circumstances, he said, no matter what may be the "oughts" of the situation, there cannot be achieved the unity of purpose and of effort which, for the good of China, of the United States, and of the allied cause, should prevail. Dr. Soong added that he greatly regretted having to mention and to dwell upon this point, but that, confronted with military and political problems of utmost importance, it is right and necessary that governments be frank with one another in matters of common concern, that this is an important matter of common concern, and that he hoped that we would accept in the spirit in which it was given the exposition which he had made of the Chinese view in and regarding this situation. I replied that it is well for us to know the Chinese view, that it seemed to me utterly right that he should inform us regarding it, but that I was sure that he would realize that it would be difficult for us to see a question of this sort in quite the light in which the Chinese see it. Dr. Soong remarked: Naturally, I understand that, but please keep in mind that this is a situation which exists in China, at our capital, and which therefore interests and affects us Chinese more intimately than would be the case if, in reverse, it were a situation which existed in Washington.

Dr. Soong then rose to leave. He expressed gratification that we had been able to have this lengthy and frank conversation, and mutual expressions of *bon voyage* were exchanged.

893.00/15169

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

No. 1677

CHUNGKING, October 14, 1943.

[Received November 6.]

SIR: Referring to the Embassy's telegram No. 1231, July 20, 9 a. m. in regard to the attitude of the National Government toward association by Chinese with foreigners, I have the honor to enclose a copy of despatch No. 26 of August 2, 1943, from the Consul at Kweilin entitled: "Regulations Promulgated by the Executive Yuan in regard to Entertainment of Foreign Guests".⁶⁵

Summary. Mr. Ringwalt encloses with his despatch a translation of an article from the *Sao Tang Pao* (controlled by the military clique in Kwangsi) of June 2, 1943, containing the regulations said to have been issued by the Executive Yuan governing the entertainment of foreign guests. He states that there seems to be no relaxation in the enforcement of these regulations in Kweilin and that Chinese intellectuals, in their contacts with foreigners, appear to be singled out for surveillance by the police with consequent lessened opportunities for association by foreigners with such Chinese. *End of summary.*

⁶⁵ Not printed.

The Executive Yuan *Gazette* does not contain the regulations in question, although some Chinese observers state that the regulations are secretly in force. Other observers are of the opinion that the effect of these regulations was felt at the time of their reported promulgation but that after an initial period of caution on the part of Chinese there has been no attempt to observe them. It remains a fact that the vast majority of Chinese officials at Chungking are still reluctant to discuss freely with foreigners any questions which might imply criticism of governmental policy.

Respectfully yours,

C. E. GAUSS

740.0011 Pacific War/3526

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

No. 1678

CHUNGKING, October 14, 1943.

[Received November 6.]

SIR: Reference is made to telegrams in regard, *inter alia*, to the reported withdrawal of Japanese troops from China, as follows: Embassy's 1793, September 24, 9 a. m.; 1816, September 28, 9 a. m.; 1818, September 28, 11 a. m.; and 1923, October 12, 4 [3] p. m.⁶⁶ There is now enclosed copy of despatch no. 82, October 2, 1943 from the Embassy officer at Sian, reporting information on this subject as related to him by travelers arriving from the occupied areas and by official Chinese sources.

According to the despatch, the number of Japanese troops withdrawn from north China is not known, but it must be considerable and they are doubtless being transferred to more active or potentially active theaters of operations in eastern Asia. The withdrawals, if they have actually been taking place, would appear to indicate that the Japanese entertain little fear of the consequences of possible Chinese offensive operations in north China.

Respectfully yours,

C. E. GAUSS

[Enclosure]

*The Second Secretary of Embassy in China (Drumright) to the
Ambassador in China (Gauss)*

No. 82

SIAN, October 2, 1943.

SIR: I have the honor to report that, according to information received from travelers arriving from the Japanese-occupied areas and from official Chinese sources, the Japanese appear to be carrying out

⁶⁶ None printed.

a policy of a gradual reduction of Japanese garrisons in north China. These reductions are reported to be occurring not so much in important military centers such as Yuncheng, Taiyuan, Sinsiang, Kaifeng, Hsuehchow, et cetera, as in outlying garrison posts. It is asserted that some of the less important posts have been abandoned altogether, in others the proportion of Japanese troops has been reduced and that of Chinese puppet forces increased, and in others puppet units have taken over entirely from the Japanese. The number of Japanese troops withdrawn from north China in this manner is not known, but it must be considerable; they are doubtless being transferred to more active or potentially more active theaters of operations in eastern Asia.

Continued Japanese troop withdrawals from the north China theater, if true, would appear to indicate that the Japanese entertain little fear of the consequences of possible Chinese offensive operations in that area. The vastly superior communication facilities of the Japanese and their system of defense fortifications are doubtless relied upon to a great extent by the Japanese to stem potential Chinese offensive operations in the north China theater.

Respectfully yours,

EVERETT F. DRUMRIGHT

740.0011 Pacific War/3529

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

No. 1693

CHUNGKING, October 18, 1943.

[Received November 6.]

SIR: I have the honor to refer to the Department's telegraphic instruction no. 1302, September 17, 10 p. m. suggesting that, when calling upon General Chiang Kai-shek upon my return to Chungking I mention the great importance attached by the American Government to vigorous prosecution by China of the war against Japan, and requesting that Mr. Atcheson report the reactions of Chinese officials to his earlier approaches in regard to China's war effort and that I also report on any approaches I might make. Reference is also made to related correspondence including the Embassy's telegrams nos. 1674, September 11 and 1711, September 15 and the Embassy's despatch no. 1589, September 17, 1943 (enclosing copies of memoranda⁶⁷ of Mr. Atcheson's conversations); also to my telegrams nos. 1807, September 26 and 1871, October 6, 11 a. m.⁶⁸ and my despatch no. 1626, September 27, 1943.⁶⁹

⁶⁷ One memorandum printed, p. 123.

⁶⁸ For latter, see p. 872.

⁶⁹ Despatch not printed, but see footnote 58, p. 130.

I reported in my 1807, September 26 that General Stilwell had informed me that as a result of Mr. Atcheson's conversations the Chinese Government had restored one-third of the appropriations for airfields and roads which had been cut but that he was not satisfied with the general picture. A memorandum of my conversation of September 25 with General Stilwell was enclosed with my despatch no. 1626, September 27.

In my 1871, October 6, I reported briefly in regard to my call on General Chiang Kai-shek on October 4 during which suitable opportunity was found to emphasize the determination with which the Government and people of the United States are devoting themselves to winning the war and to say that the United States looked to its Allies, including China, to put forth all effort, with the resources at their command, in cooperation with us to that end. I reported also that General Chiang said that China could be counted upon to do her share. A memorandum of my conversation with General Chiang is enclosed. (The question of Russian relations with the other United Nations as discussed with the Generalissimo was reported in my 1914, October 11, noon.)⁷⁰

Prior to my conversation with the Generalissimo (earlier opportunity to see him did not arise because of his occupation with the Plenary Session of the C. E. C. and the subsequent meeting of the People's Political Council), I had a long conversation on October [September] 24 with Dr. K. C. Wu, Acting Foreign Minister. A memorandum of this conversation is enclosed. As regards the question of the war effort I indicated that my personal opinion was similar to that recently expressed to Dr. Wu by Mr. Atcheson (Embassy's 1711, September 15 and despatch no. 1589, September 17) and I said that it seemed to me that as the United Nations war effort became intensified in this area there was strong likelihood that the Japanese—pressed in the South Pacific, the Indian Ocean and Burma—might undertake an all-out effort against China; hence it would be necessary for all of us, including China, to exert the heaviest possible military effort to prevent Japanese success. Dr. Wu replied that he fully appreciated the situation; that as he had mentioned to Mr. Atcheson following their conversation he had gone at once to the Generalissimo and he could say now that the Generalissimo had issued appropriate instructions. During the course of my conversation with Dr. Wu, the latter brought up the question of the Kuomintang-Communist situation and also the subject of articles recently published in the United States which were critical of China. These aspects of the conversation are described in some detail in the enclosed memorandum.

⁷⁰ *Post*, p. 822.

In addition to talking with President Chiang and Dr. Wu, I have had conversations with a number of high Chinese officials during which opportunity occurred for me to make remarks along the lines of those suggested by the Department in its 1302, September 17. Among these officials have been Dr. H. H. Kung, Vice President of the Executive Yuan and concurrently Minister of Finance; Dr. Wang Chung-hui, Secretary General of the National Defense Council and former Foreign Minister; General Ho Ying-chin, Chief of Staff and Minister of War; Dr. Wang Shih-chieh, former Minister of Education and recently Secretary General of the Central Planning Board, who has considerable influence with the Generalissimo and who is probably shortly proceeding to England as the head of a good will mission; General Wu Teh-chen, Secretary General of the Kuomintang Headquarters; Dr. Sun Fo, President of the Legislative Yuan; Dr. Wong Wen-hao, Minister of Economic Affairs; Dr. Tseng Yang-fu, Minister of Communications; Dr. Quo Tai-chi, former Ambassador to Great Britain and also former Foreign Minister; and Dr. T. V. Soong, Foreign Minister, who has just returned to Chungking. My conversations with these officials were along lines similar to those taken in my conversations with General Chiang and Dr. Wu and their responses and attitudes were in general similar to those of the Generalissimo and the Acting Foreign Minister. Looking back over those conversations it seems to me that of the officials other than the Generalissimo, the most satisfactory interest in the problem presented was exhibited by Dr. K. C. Wu and General Wu Teh-chen; the latter on his own initiative took occasion on October 14 to inquire of Mr. Atcheson if any improvement had occurred in the situation and he indicated that he had made endeavor to cause improvement.

As regards the general question of Sino-American relations, my impression from my conversations with Chinese officials since my return to Chungking has been that they are almost universally and sincerely friendly to the United States; that they look upon the United States as China's best friend; and that they are anxious that China maintain the good opinion as well as the good will of the United States. While their continuing interest in the Hanson Baldwin article in the August *Reader's Digest* and in other published articles critical of China on the one hand gave some definite indication that the criticism was resented, I could not escape the impression also that the criticism had struck home sufficiently to influence Chinese leaders to endeavor to take steps which might put the Chinese Government and its activities in a better light to American observers, especially observers in the United States. (Various aspects of this consideration have been discussed in the Embassy's recent despatches in regard to the Central

Executive Committee meeting in Chungking early in September and in regard to the subsequent meeting of the People's Political Council.) For example, Dr. Quo Tai-chi, who is an intelligent and enlightened official of considerable experience and who will probably again in the future assume some important Government post, stated his opinion that the criticism had already had good effect in China and that from the long range point of view it was preferable that it had occurred now rather than later as there would probably result the striking of a balance in regard to China in the American mind which would preclude at some later time a sudden reaction from the current "idealization" of China which might be most adverse. Dr. Quo also stated that he felt that China had been vastly overpraised in the United States since the United States became involved in the war and he seemed to feel that the recent criticism constituted a beneficial leaven in connection with this aspect of the situation. Dr. Quo's remarks on this and related questions are being made the subject of a separate despatch.⁷¹

In conclusion, I would say that while we have perhaps succeeded in impressing upon some officials the need for increased and more effective war effort on the part of China and while also there may be resulting some minor improvement in some aspects of the situation, we cannot safely count under present conditions (which involve of course the question of equipment for the Chinese forces) on effecting any significant psychological change in the Chinese attitude which will impel China's leaders and soldiers to put forth materially greater effort in the war against Japan. The Chinese have persuaded themselves that the war in Europe will shortly end and that the United States, possibly with help from Great Britain, will defeat Japan; that the Chinese are too tired and too worn and too ill-equipped to make greater effort, especially when such effort may not be necessary; and that the Chinese can sit back, holding what they have against the Japanese, and concentrate their planning upon China's post-war political and economic problems.⁷²

Respectfully yours,

C. E. GAUSS

⁷¹ No. 1695, October 18, *infra*.

⁷² In a memorandum dated November 25 to the Under Secretary of State (Stettinius) the Chief of the Division of Far Eastern Affairs (Ballantine) suggested that the summary of Ambassador Gauss' views contained in the last paragraph be brought "to the attention of the President." Mr. Stettinius concurred in a memorandum of November 30 to the Secretary of State; and a memorandum in which this last paragraph was extracted was sent to President Roosevelt on December 2.

[Enclosure 1]

*Memorandum of Conversation, by the Counselor of Embassy in China
(Atcheson)*

[CHUNGKING,] October 4, 1943.

Participants: Generalissimo Chiang Kai-shek
Ambassador Gauss
Mr. Li Wei-kuo, Secretary to the Generalissimo
Lieutenant Colonel Chen Ping-chai, Aide
(Interpreter)
Mr. Atcheson

The Ambassador, accompanied by Mr. Atcheson, called on the Generalissimo by appointment at five o'clock this afternoon. The conversation opened with the usual exchange of amenities and further exchanges occurred during its course. The Generalissimo said he was very glad to see the Ambassador back and inquired after his health and the health of the President and of Secretary Hull. The Ambassador said that he brought to the Generalissimo cordial greetings and best wishes from the President and the Secretary of State; he said that on his return journey he had learned that the Generalissimo had been elected President of the National Government of China and he wished to offer his most cordial congratulations. The Generalissimo showed pleasure and a very friendly appreciation of the message of greetings and of the congratulations.

General Chiang exhibited an almost immediate interest in the question of Soviet Russian relations. He asked whether Mr. Hull would personally attend the tripartite Foreign Minister's conference. The Ambassador replied he had no official information but assumed from recent press reports that he would attend in person. He then asked where conference would be held. Mr. Gauss stated that when he left Washington there had been no announcement on the subject. General Chiang then asked what was the opinion in Washington when Mr. Gauss left as to Soviet continuance in the war and collaboration with partners of the United Nations. The Ambassador replied that he had not discussed this subject with higher authorities in Washington but that from his conversations in official circles generally he had the definite impression that there was full American confidence that Soviet Russia would continue in the war and in collaboration with partners of the United Nations. The Generalissimo commented that there had always been deep suspicion of Soviet intentions and subject was one of great importance. Mr. Gauss replied that he had of course noted press speculation regarding intentions of Soviet Russia; that while there had been mutual suspicion between Soviet Russia and other Powers for many years and it might take some time fully to

break down any such suspicion still lingering in the minds of unofficial observers, there seemed in official circles at home to be every indication of confidence that relations with the Soviet would continue on a satisfactory basis and that the meeting of the Foreign Ministers would be successful in clarifying objectives and policies in matters of mutual concern and interest with reference to the European theatre of the war.

The Generalissimo inquired as to American post-war problems. The Ambassador replied that, while there were groups in the Government and out of the Government—some consisting of the best brains of the country—which were giving intensive study to post-war problems, the main energies of the American Government and of the American people were now concentrated whole-heartedly in making an all-out effort to accomplish the immediate task of achieving victory over the common enemy. Mr. Gauss said that he had found a tremendous war effort during his visit to the United States and described for the Generalissimo various aspects of the general picture of the determined and increasing war effort of the United States which was absorbing the mental and physical efforts of all Americans. He said that there was not the slightest question that the American Government and the American people were completely determined to win the war and to fight on with ever increasing vigor and weight in battle and in production until victory should be achieved; that victory to us meant only one thing—unconditional surrender by Japan as well as by Italy and Germany. The Ambassador said that in the tremendous and relentless effort which the American Government, the expanding American armed forces and the single-minded American people were putting forth the United States looked to its Allies such as Britain and Russia and China to make a similarly whole-hearted effort toward victory; that the victory could not be the victory of any one country alone but must be a victory of the United Nations; that the only way to win the peace was first to win a complete victory in the war and whole-hearted effort by all partners or allies was required to achieve that end.

Mr. Gauss went on to say that he realized—and he had made it clear at home in conversations with American officials—that all the Allies could not be expected to contribute an equal share to the war effort because some were limited by their capacities or resources. He said that it was obvious that China's effort was limited in some directions by lack of military equipment and that not only recently but throughout his tour of duty as American Ambassador to China he had consistently put forward the thesis that it would be a mistake to expect, or to count on, a contribution to the war from China that was physically greater than China's capacities; but that he hoped, and he had

every confidence, that the Chinese Government would put forth every effort of which China was capable within the limits of its resources, and this was most important to the success of the United Nations in defeating Japan. The Generalissimo said that China may be counted upon to do her full share. He added that when the Burma Road is opened China can receive necessary arms and equipment and do more.

The Generalissimo entered into a lengthy dissertation on the question of American-Chinese cooperation which was the only portion of his remarks which appeared to fall into the usual and traditional formula of official conversations. His comments nevertheless seemed to reflect appreciation of American friendship for China and he said that it was his observation that of all the peoples of the world Americans and Chinese found it easiest and most natural to get along with each other. In his reply the Ambassador expressed hearty agreement and described in some detail how impressed he was with the proof of the Generalissimo's statement to be found in the Chinese air training station at Karachi where Chinese and American officers and Chinese and American mechanics and other enlisted men not only worked together in understanding and friendship but lived together, ate together and had their recreation together. Mr. Gauss spoke also of the productive results of the air training program, including the training of Chinese air cadets in the United States, and mentioned how successful it was proving with Chinese pilots incorporated into units of our Air Force in China and flying and fighting side by side with American airmen.

At the close of the conversation the Generalissimo inquired whether the Ambassador was taking up residence on the North Bank or the South Bank. The Ambassador stated that he was now living in the city not far from the Generalissimo's residence, that he was available at any time the Generalissimo wished to see him as he was always at the Generalissimo's command and that he would be glad to be of any possible service at any time. The Generalissimo replied with repeated thanks.

The conversation lasted some fifty minutes. The Generalissimo was most pleasant and friendly throughout and both in his greetings and goodbyes showed more than ordinary cordiality both to the Ambassador and to Mr. Atcheson.

Following the conversation Mr. Li stated to Mr. Atcheson that it had been one of the "happiest" conversations with the Generalissimo that he had witnessed.

GEORGE ATCHESON, JR.

[Enclosure 2]

*Memorandum of Conversation, by the Counselor of Embassy in China
(Atcheson)*

[CHUNGKING,] September 24, 1943.

Participants: Dr. K. C. Wu, Acting Foreign Minister
Ambassador Gauss
Mr. Atcheson

The Ambassador called on Dr. Wu by appointment this afternoon to pay his respects upon his return to China. A long and very friendly and informal conversation ensued in regard to various questions affecting Sino-American relations and the war effort, most of which arose out of inquiries made by Dr. Wu as to the Ambassador's opinion and as to the opinion of the American Government and people in respect to these matters.

Dr. Wu said that there had recently been articles published in the United States which were quite critical of China and which indicated that some Americans did not think that China was proceeding along democratic lines and that the Chinese armed forces were not doing their utmost to defeat the enemy. He asked what the Ambassador's impression of this development was. Mr. Gauss said that he had been aware that there had been such criticism of China in various press and magazine articles; that we at home are of course used to having our own government criticized; that American writers and critics were accustomed not only to criticize vigorously and with full freedom their own government but any aspect of American life with which they were in disagreement; that they were also accustomed to criticizing foreign governments and foreign countries; that China was by no means the only country which came in for such criticism; and that on the other hand there had probably been less American criticism of China than of, say, Great Britain and Russia in regard to various questions which arose from time to time. Dr. Wu said that the Chinese did not really mind criticism from Americans, as the United States was China's best friend, and that China really welcomed honest criticism and hoped to take advantage therefrom. Mr. Gauss mentioned that writers in the United States were not always fully cognizant of the facts in connection with developments and conditions in China and Mr. Atcheson remarked that in these days it was difficult for such writers to obtain accurate and comprehensive information on these subjects. Mr. Atcheson added that, with respect to Hanson Baldwin's article in the August *Reader's Digest*, it was of course absurd for Mr. Baldwin to voice the traditional Japanese propaganda line that China was not a nation but a geographic area and that the

American people and American Government naturally did not have—and had never exhibited—any such attitude toward the Chinese nation.

As regards the question of the war effort the Ambassador indicated that his personal opinion was similar to that recently expressed to Dr. Wu by Mr. Acheson and he said that it seemed to him that as the United Nations war effort became intensified in this area—as it certainly would be greatly intensified and the intensification had already begun—there was the strong likelihood that the Japanese, pressed in the south Pacific, the Indian Ocean and Burma, might make something like an all-out effort against China. The Ambassador said that in the light of this likelihood it would be necessary for all of us, including China, to exert the heaviest possible military effort to prevent Japanese success. Dr. Wu replied that he concurred and the Japanese would certainly like to knock China completely out of the picture. He went on to speak of China's six-year-long struggle and great difficulties and he said in a humorous vein that the Chinese could not merely with spears do very much against the Japanese. Mr. Gauss replied in the same vein that spears had proven excellent weapons in the past in case of necessity and could be used again and he mentioned that military equipment including air matériel was increasingly coming into China. Dr. Wu said that, quite seriously, he fully appreciated the situation; that as he had mentioned to Mr. Acheson following their conversation in regard to the war effort he had gone at once to the Generalissimo, and he could say now that the Generalissimo had issued appropriate instructions.

Dr. Wu turned the conversation on the Kuomintang-Communist situation and suggested that the Ambassador offer an opinion in this matter. Mr. Gauss said that this was, of course, an internal domestic problem and then went on to make remarks indicative of, from our point of view, the need of maintaining unity in China and of avoiding any dissension which might adversely affect the war effort.

The Ambassador took occasion to mention that our people at home were very pleased with the successful showing in battle made by the Chinese air cadets trained in the United States, the effective way in which they had been incorporated into units of the 14th Air Force and their general spirit of cooperation and fighting ability when put to the test.

Before our departure Dr. Wu made a number of extremely friendly remarks in regard to the Ambassador's return to China, said that he and other officials of the Chinese Government were aware that Mr. Gauss had made consistent efforts while in Chungking to obtain more aid for China and that the Chinese were very glad to welcome him back as an old and valued friend.

GEORGE ATCHESON, JR.

711.93/540

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

No. 1695

CHUNGKING, October 18, 1943.

[Received November 6.]

SIR: I have the honor to enclose a copy of a strictly confidential memorandum of conversation dated October 12, 1943,⁷³ with Dr. Quo Tai-chi, former Chinese Ambassador to London and former Chinese Minister for Foreign Affairs, in which he expressed his views regarding recent American press criticism of China and related subjects. Dr. Quo's remarks are of interest as representing those of an extremely keen Chinese observer who, speaking privately and without the inhibitions imposed by high public office, made frank observations of a nature which are at present very infrequently heard in high Chinese Government circles although, we understand, his opinions are shared by a number of other liberal-minded and enlightened Chinese.

Summary. Dr. Quo stated that he felt that the recent American press criticism of China has produced good results and by inference pointed to the recent indications thereof contained in the resolution on constitutional government adopted by the Plenary Session of the C. E. C. in September. He expressed opinion that the traditional and fundamental democratic traits of the Chinese people were certain to be given expression in time and that criticism by sincere friends, such as Americans, was needed both by China and by the Chinese Government to hasten the process. Dr. Quo repeated an observation previously made to the effect that there has been too much "idealization" of China in the United States and that it was far more desirable to clear the air now with American criticism of China than at a later period when a sudden and strong adverse reaction might result (Embassy's telegram No. 999, June 23, 9 a. m. for expression of similar view). He expressed belief that some of the overpraise of China had been due to "professional friends of China" who were motivated by self-interest.

Referring to President Chiang Kai-shek's book, *China's Destiny*, Dr. Quo said that President Chiang had been ill-advised to write such a book and that it had been the subject of much criticism both from Chinese and from foreign friends of China. He felt, however, that the book represented the ideas of President Chiang in many respects notwithstanding that the book had been ghost-written. Dr. Quo expressed the opinion that President Chiang had a secure place in one of the three categories of persons described by the Chinese as "immortals" as a leader whose efforts helped build up the nation, but that it was a mistake for him to seek to achieve immortality as a philosopher and a great writer as well. (Embassy's despatch No. 1220, May 31, 1943,⁷⁴ regarding reaction of Chinese intellectuals to *China's Destiny*.)

⁷³ Not printed.⁷⁴ *Post*, p. 244.

While there has been resentment in Kuomintang circles of the recent American press criticism of China, liberal elements here approve this criticism, feeling that it has had a beneficial effect on the Chinese Government and was largely responsible for the C. E. C. resolution on constitutional government at its Plenary Session in September. *End of summary.*

Approval of American press criticism of China, such as that voiced by Dr. Quo, is fairly widespread among liberal elements in China, who feel that the article by Pearl Buck in a May issue of *Life* to a great extent and the articles by Hanson Baldwin and T. A. Bisson in the July issue of *The Far Eastern Survey* to a lesser degree have had a salutary effect on the Chinese Government (Embassy's telegrams No. 1357, August 2, 12 noon, and No. 1444, August 13, 11 a. m.). One well known non-Kuomintang Chinese close to Dr. Sun Fo has stated to an officer of the Embassy that while many Kuomintang leaders resented the articles it was generally felt in liberal circles that only "Chinese fascists" could really find fault with Pearl Buck's article. This Chinese added that she would be doing a further service to China if she were to publish an article drawing a comparison between "Chungking democracy" and "real democracy". Many Chinese feel, however, that the effect of the Bisson article was lessened by his statement that there existed two Chinas (a democratic China in the Communist areas and a feudalistic China in the Kuomintang areas), but they admit that while the article was less warmly received than that of Mrs. Buck it too had in general a desirable influence.

So far as the Embassy knows there was no indication of any Kuomintang intention to interest itself in the question of constitutional government in China prior to the publication of these critical articles in question. The belief is generally held by informed Chinese here that the action of the C. E. C. at its Plenary Session in September in adopting the resolution on constitutional government grew almost entirely out of a desire to meet American criticism of the lack of democracy in China (Embassy's telegrams No. 1712, September 15, 10 a. m.⁷⁵ and No. 1741, September 17, 12 noon,⁷⁶ and despatch No. 1675, October 14, 1943⁷⁷).

The greatest resentment has been against the Baldwin article, especially the author's use of the term "geographical expression" as applied to China—a repetition of a well known Japanese propaganda line. The Chinese military have been especially resentful of his charges against the Chinese army and according to a confidential report from the 14th U. S. Air Force the Central Government has issued orders that strict surveillance be maintained over Chinese in

⁷⁵ *Post*, p. 338.

⁷⁶ *Post*, p. 340.

⁷⁷ *Post*, p. 351.

southeast China suspected of giving information to foreigners and that Chinese guilty of such acts be arrested and sent to concentration camp. His article has, however, had some desirable repercussions, for it is reliably reported that Chiang Kai-shek subsequently issued orders to commanders of Central Government troops in some areas to carry out at least one attack a month against the Japanese. There has been in recent weeks an increasing number of press reports of Chinese military engagements with the Japanese, which may have resulted from a Chinese desire for more publicity regarding Chinese military activity as well as from Japanese operations against bases which might be used by American planes for bombing of Japan. The Ministry of Information has also endeavored to refute this criticism and at a recent press conference Government spokesmen assured foreign press correspondents that China still placed victory before post-war reconstruction and desired the opening of the Burma Road in order to enable the Chinese army to be furnished the weapons necessary for "her counter-offensive against Japan" (Embassy's despatch No. 1676, October 14, 1943).⁷⁸

Some Kuomintang Chinese, resentful of the criticism, have sought to find an ulterior motive behind what they term "a sudden wave of criticism of China" from the United States. The local English language daily recently published a letter from a Japanese and American educated Chinese active in one of the National Military Council's intelligence organs charging the American writers with "gutter-snipe journalism". These are reactions perhaps typical of the chauvinistic element in China which, long fed on American overpraise of China, cannot now accept any criticism as being well intentioned or justified. Many liberal Chinese, however, apparently feel that the United States represents the major external force which can exert influence on the Chinese scene toward the establishment of a democratic China. They suspect that Great Britain under its present leadership gives primary consideration to its position in the Far East, that the absence of British press criticism of China is not purely accidental and that the British Government feels no concern for the spread of democratic principles in China. They are of the opinion that if China is to have a liberal democratic form of government the encouragement and impetus from without can come only from the United States, and they thus derive a quiet satisfaction from American criticism of many of the present-day fascist trends in this country.

Respectfully yours,

C. E. GAUSS

⁷⁸ Not printed.

740.0011 Pacific War/3502a : Telegram

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

WASHINGTON, October 19, 1943—10 p. m.

1495. Comments on statements in regard to the Far East made by Senators who recently returned from a visit to the fighting fronts have centered largely on statements relating to Soviet-Japanese relations and to the question of American airplane bases in Siberia. Comparatively little has been said about China.

It is believed that the views of certain Senators as indicated below will be of interest to the Embassy.

In a speech on September 30 in the Senate reporting on his trip, Senator Lodge in speaking of "the dangerous results of sugary and overdrawn propaganda" of our Government said:

"We must not perpetrate any more of these false notions. We invite ultimate cynicism, disillusionment, and even hatred of our allies if we do so.

I have seen small signs of this already. Many of our young men, for example, come to China imbued with the idea that China is a great modern democracy with millions of men fighting with their backs to the wall. Upon arrival they find this is not the case. With the impetuosity of youth they thereupon go to the other extreme. They overlook the industry, good-humor, and democratic attitude of the individual Chinese once they have discovered that the Central Government is not like ours. They overlook the fact that due to the Chinese Army 15 Japanese divisions are in China, in spite of the fact that the Chinese Army, to put it mildly, is not comparable to ours. They overlook the advantage to America in having a strong China. It would be better for China and for us if a true picture were given to the American people. When Oliver Cromwell had his portrait painted he said to the artist, 'Paint me as I am, the wart and all.' The truth about China is in many ways inspiring, and China as she now stands is a real military asset to the United States. Her achievements can be more accurately measured if her difficulties are more clearly realized."

Senator Chandler is quoted in the press as stating "I've been to those China air bases and I've talked to the men there. We're apt to lose them unless more support is given." He is said also to have warned that Stilwell and Chennault needed great aid immediately, to have asserted that the British were "lukewarm" in the war against Japan, and to have stated that the United States would be in a serious position if it lost its bases in China and had none in Russia either.

Senator Russell is reported to have taken the British to task for not launching an offensive in Burma although he expressed confidence in the ability of Lord Mountbatten.

The reports made by the recently returned five Senators in secret session of the Senate have not been published.⁷⁹

STETTINIUS

740.0011 Pacific War/3555½

Memorandum by the Adviser on Political Relations (Hornbeck) ⁸⁰

[WASHINGTON,] October 26, 1943.

I refer to a memorandum addressed to Mr. Long and Mr. Stettinius by FE under date October 20 ⁸¹ covering a Memorandum ⁸² on the subject of recent conversations between the American Chargé d'Affaires and leading Chinese officials at Chungking in regard to the military situation in the China theater, and to the memorandum addressed by Mr. Long to Mr. Stettinius on October 20 covering same.⁸³

By way of comment on various and sundry reports from Chungking dealing with the subject of apparent Chinese official apathy or indifference in relation to the problem of effort on the part of the Chinese to prepare for and/or to engage in offensive military operations,—I feel that we should take especially into consideration one factor which is of substantial importance and which does not gain mention in reports made by American agencies: namely, that various Chinese in high political and military circles are deeply resentful of the attitudes and methods of some American (and some British) authorities—a fact which may well contribute substantially toward the adoption by such Chinese of the attitudes and positions to which the reporting officers call attention. It is noteworthy also that the Chinese make against their American and their British allies charges not dissimilar to those which various representatives of the said allies, especially some American and some British representatives, make against the Chinese: namely, the charge of uncooperativeness on the part of

⁷⁹ Notation on the original: "(Note: Senator Lodge's speech mentioned in paragraph 2 of above telegram appears in the *Congressional Record* of September 30. The remarks attributed to Senator Chandler cited in paragraph 4 of the telegram appeared in the October 5 and October 7 issues of the *Washington Star* and *Washington Post* respectively; Senator Russell's in the October 8 issue of the *Washington Star*.)"

⁸⁰ Addressed to the Chief of the Division of Far Eastern Affairs (Ballantine), the Assistant Secretary of State (Long), and the Under Secretary of State (Stettinius).

⁸¹ Not printed, but see footnote 45, p. 121.

⁸² Not printed.

⁸³ Not printed; Mr. Long recommended that Mr. Stettinius might care to discuss the matter with the Secretary of War with the idea that it might be laid before the Chiefs of Staff and brought to the attention of the President. "In case they agree as to the seriousness of the situation it might be wise to have the President communicate directly with Marshal Chiang Kai Shek. An appropriate telegram could be drafted for his consideration after it has been passed by the Chiefs of Staff and the Secretary of War."

various officers and a general tendency to pay too little attention to the China theater and its potentialities. Illustrative in that connection is the mention which Mr. Atcheson made in a conversation, as recorded, with Chinese officials of "the delay in construction of needed airfields and roads and the failure of the Chinese authorities to provide sufficient labor or funds for this work". True, that delinquency on the part of the Chinese is a fact. However, an identical delinquency on the part of the British in Assam, also a fact, has been complained of both by Chinese and by American authorities.

It is quite true that the Chinese are apathetic as regards engaging in or preparing for offensive operations on a substantial scale. Toward overcoming this situation, it is imperative that we and the British give appropriate and adequate attention to the psychological and the material factors which underlie and in large part account for that unsatisfactory phenomenon. So long as the Chinese are doubtful of our intention to treat China as a real partner in a common effort on a fully cooperative basis, and until the Chinese have in their hands weapons in amounts and qualities warranting embarkation by them upon offensive operations, a standstill or sit-down attitude on their part is likely to continue to prevail and complaints about it on our part are likely to have little effect other than that of adversely prejudicing both Chinese opinion and our own opinions. Toward improving this situation, we need especially to make sure of the rightness of our own attitude, intentions and actions in regard to the Far Eastern theater and to our relations with and contacts with China and the Chinese.

In the light of these points, consideration of which will, I think, contribute somewhat toward putting the situation under reference in perspective, and in the light of the fact that Lord Mountbatten has been and is—in conference with Chinese and British and American authorities at Chungking and at New Delhi—looking into the situation under reference and its problems, I would recommend that we *not* for the present take this matter up with the War Department or any other agency of this Government; or, that if we do take it up with anybody and in any context we make effort to call attention not only to the unsatisfactory features of the Chinese attitude but also and at the same time to factors such as I have mentioned above which play a part in the determining of that attitude and to indicated ways and means resort to which might be expected to contribute toward an advantageous altering of that attitude.⁸⁴

S[TANLEY] K. H[ORNBECK]

⁸⁴ Notation by Mr. Ballantine: "Concur J. W. B."

President Roosevelt to Generalissimo Chiang Kai-shek^{84a}

[WASHINGTON,] 27 October 1943.

No. 3701. I have been very pleased to hear from you of your satisfaction with your meeting with Mountbatten and Somervell.^{84b}

The Conference at Moscow^{84c} has made splendid progress up to the moment and I am very hopeful that the results will be beneficial all around. I am pressing for the full blown partnership of China, Great Britain, Russia and the United States.

I am not yet sure whether Stalin can meet me but, under any circumstances, I am anxious to meet you with Churchill at a reasonably early date somewhere between the 20th and the 25th of November. I think Alexandria would be a good meeting place. There are good accommodations there.

I will bring a small staff with me including our highest ranking Army, Navy and Air officers. I should think the Conference would last about three days. I know you will not want to be away from China long, but it is far better for me to get away now than later.

I am looking forward to seeing you because I am sure there are many things that can only be satisfactorily settled if we can meet face to face. Please keep this very confidential.

ROOSEVELT

740.0011 Pacific War/3541

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

No. 1740

CHUNGKING, October 27, 1943.

[Received November 18.]

SIR: Referring to the Embassy's telegram no. 1649, September 7, 4 p. m. in regard to the Chinese attitude toward a campaign for the recapture of Burma, I have the honor to enclose a copy of a memorandum on this subject, dated October 20, 1943,⁸⁵ prepared for General Stilwell by Second Secretary of Embassy John S. Service, attached to General Stilwell's Headquarters.

Summary. Chinese public opinion is generally hopeful of an early campaign for the recapture of Burma and the reopening of the Burma Road. The public has been led by Allied propaganda to believe that

^{84a} Copy of telegram obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

^{84b} Lt. Gen. Brehon B. Somervell, Commanding General, U. S. Army Service Forces, had been on a visit to China.

^{84c} See pp. 819 ff. For text of the Four-Power Declaration of October 30 signed at Moscow, see Department of State *Bulletin*, November 6, 1943, p. 308.

⁸⁵ Not printed.

such a campaign will be conducted with the coming of the dry season and feels that the success of the campaign will enable China to receive sufficient war supplies for its armed forces and to solve some of its economic problems through the import of needed materials. There will be widespread disappointment among the Chinese people if the campaign does not take place. The press, under strict government control, may be expected to be moderate in its criticism but public resentment, if the Burma drive is abandoned or delayed, is certain to result in an increase in the already existing distrust of Great Britain, which may be directed, to a lesser degree, against the United States. Among higher government circles alone does there seem to be an exception to this attitude. They realize the difficulties of the campaign, the possibility of failure if full British support is not forthcoming, the relatively small amount of supplies which China might expect to receive via a reopened Burma Road and the possible wisdom from the Chinese standpoint of having the war fought around rather than across China, i. e. along the Singapore route. An off-the-record press conference held by Admiral Mountbatten during his recent visit to Chungking, at which Chinese editors and foreign newspapermen were present, gave them the impression that Admiral Mountbatten's primary interest was in Singapore and that there would be no Burma drive. The Chinese press has, however, so far been only mildly critical of such a strategy. *End of summary.*

Dr. Sun Fo, President of the Legislative Yuan, in an article recently published in the *National Herald*, the local English language daily, voiced the opinion that the opening of the Burma Road would mean little to China in the way of supplies and that the real solution lay in the recapture by Allied forces of a port on the southeast coast of China. This is not the view of the man in the street, however, who feels that the opening of the Burma Road will result in the import of commercial commodities as well as military supplies. Chinese merchants are said to have made large purchases in India with a view to the import of goods over the Burma Road and large quantities of hoarded goods are reported to have been placed on the market in recent months against the arrival of new stocks from India. One Chinese newspaper correspondent has privately stated that even though only military supplies would be allowed to be transported via the Burma Road, the Chinese proclivity for smuggling would ensure the importation of large quantities of commercial products into China by that route. This informant expressed the opinion that there would be deep disappointment among the Chinese people if the Burma campaign were not undertaken and that its effect would be seen in the increasing seriousness of the Chinese economic situation.

Respectfully yours,

C. E. GAUSS

*President Roosevelt to Generalissimo Chiang Kai-shek*⁸⁶

[WASHINGTON,] 30 October 1943.

No. 3734. I have not heard definitely from Marshal Stalin but there is still a chance of Churchill and me meeting him near Persian Gulf.

Very confidentially, I hope you will make arrangements to meet with Churchill and me in general neighborhood of Cairo about November 26th.

I am delighted that such excellent progress is made for four power proposal. We have cracked the ice, and I think that you and I have successfully established the principle.

Best regards

ROOSEVELT

*Message From Generalissimo Chiang Kai-shek to President Roosevelt*⁸⁷

30 OCTOBER 1943.

Dr. T. V. Soong reports that President would like to meet the Generalissimo and that he would see Stalin either before or after he sees the Generalissimo. The Generalissimo says that now the Peoples Political Council is over, if given reasonable notice he will be glad to meet the President at any time before his meeting with Stalin. If for whatever reason the President cannot see the Generalissimo before his meeting with Stalin the Generalissimo wishes to postpone the meeting until some other time convenient to both parties. He would like the President to advise whether it would be desirable for him to meet with Mr. Churchill and the President together or whether he should see the President alone whenever the meeting takes place.

*Generalissimo Chiang Kai-shek to President Roosevelt*⁸⁸

[CHUNGKING,] 2 November 1943.

I am in receipt of your telegrams transmitted to me by General Hearn on October 28th⁸⁸ and 29th^{88a} and November 1st.^{88b} I am delighted to accept the suggestions contained in your last telegram and am looking forward to meeting you and Mr. Churchill. Every-

⁸⁶ Copy of telegram obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

⁸⁷ Copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y. This message was brought back from China by General Somervell and delivered to President Roosevelt on November 5.

⁸⁸ Telegram No. 3701, October 27, p. 154.

^{88a} Not found in Department files.

^{88b} Telegram No. 3734, October 30, printed above.

thing will be kept strictly secret here. The signing of the Four Nation Declaration is a splendid success which is entirely due to your firm stand for justice and solidarity. This declaration constitutes one of the greatest contributions to the peace and security of the Post War World. Please accept my warm and sincere thanks for your deep concern for our common cause and kindly convey to Mr. Hull my appreciation of the excellent results he has achieved at the conference. Best regards.

740.0011 Pacific War/3549

*Document Prepared in the Division of Far Eastern Affairs*⁸⁹

[WASHINGTON,] November 3, 1943.

JAPAN-WANG REGIME "PACT OF ALLIANCE" OF OCTOBER 30, 1943

The "Pact of Alliance" which was signed by Japan and the Wang regime on October 30 provides in part that the "treaty" of November 30, 1940⁹⁰ "together with all instruments annexed thereto" is terminated. A comparison of the texts of the new "pact" and the "treaty" of 1940 suggests that the new "pact" represents a gesture on Japan's part toward the Wang regime and also possibly toward the U. S. S. R.

In comparison with the "treaty", the "pact" shows a far greater effort on Japan's part to appeal to Chinese good-will. In the phrasing of the "pact" there is an emphasis on the apparent equality between the two parties, all the commitments being assumed by "Japan and China". A protocol accompanying the "pact" contains on Japan's part a commitment to withdraw Japanese forces from China "when general peace between the two countries is restored and a state of war ceases to exist." Japan also renounces the right of stationing troops under the Boxer Protocol.⁹¹ On the surface these commitments with regard to the withdrawal of Japanese troops go much farther than the commitments contained in the 1940 "treaty". (The 1940 "treaty" contained provision for the indefinite stationing of Japanese forces in certain parts of China and for the gradual withdrawal of the remainder over a period of two years after the restoration of peace between the two countries.) At the same time the "pact" as a whole is phrased in very general terms and provision is

⁸⁹ In a memorandum of November 8 the Chief of the Division of Far Eastern Affairs (Ballantine) addressed this document to the Adviser on Political Relations (Hornbeck), the Assistant Secretary of State (Long), the Assistant Secretary of State (Berle), and the Under Secretary of State (Stettinius).

⁹⁰ *Foreign Relations*, Japan, 1931-1941, vol. II, p. 117.

⁹¹ Signed at Peking, September 7, 1901, *Foreign Relations*, 1901, Appendix, (Affairs in China), p. 312.

made that the necessary details for carrying out the "Pact" are to be decided upon subsequently. The door is thus left open for the obtaining by Japan of any concessions which it may desire from "China."

The absence of any mention in the new "pact" of anti-Communism—a subject which held a prominent place in the "treaty" of 1940 and which has long been stressed by Japan as one of the ideological bonds linking Japan and the Wang regime—is notable. This omission may indicate a gesture on Japan's part toward the U. S. S. R. It certainly shows a determination on Japan's part not to give offense to the U. S. S. R. at this time.

740.0011 Pacific War/8559

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

No. 1780

CHUNGKING, November 5, 1943.

[Received November 27.]

SIR: I have the honor to enclose a translation of a confidential report⁹² written by a Chinese correspondent of the *Ta Kung Pao* in regard to the military, political and economic phases of the battle in the Lake District of Western Hupeh in May 1943. This report was printed on a single sheet by the *Ta Kung Pao* at Chungking for very limited distribution and none of the material has been published in the paper's regular edition.

The correspondent spent a month and a half in the battle area during June and July where he talked with military personnel, with government officials and with the country people. As a result of his observations, he feels that the battle was a military defeat, a serious economic failure and a grave political defeat.

Summary. Although the Chinese military authorities had prior knowledge of the enemy's retreat, the Chinese counter-offensive did not begin until some days later and in its attacks the Chinese encountered only a small number of enemy rear guard units. Chinese troops engaged in the campaign totaled 20 divisions while the enemy forces were estimated at one and a half divisions or between 20,000 to 30,000, two-thirds of which were puppet troops. Chinese losses were approximately 70,000 to 80,000 men while enemy losses were from 3,000 to 4,000 men. The Chinese soldiers in this campaign were as well equipped as those of the enemy but the poor physical condition and training of the Chinese troops were largely responsible for the defeat.

Causes of Chinese military weakness are said to be: (1) false reports on operations by military commanders of all grades; (2) lack of cooperation among commanding officers; (3) remoteness of high

⁹² Not printed.

commanders from their troops; (4) insufficient trained officers; (5) lack of food and medical attention for the soldiers; (6) enmity of the common people toward the Chinese troops; and (7) treachery of Chinese who aid the enemy.

Under present conditions, which are believed to exist generally throughout the National Government's armies, a division of soldiers may be entirely wiped out by disease, starvation and desertions within two years' time without ever having participated in military operations.

Large towns and small villages in the battle area were reduced to ashes and most of the people were killed or taken away by the enemy, who also carried off or destroyed all movable property, broke dikes and burned boats in the area affected. The population was greatly reduced and the destruction effected by the enemy will require twenty to thirty years to repair.

The harsh treatment of the common people by the Chinese troops and the Japanese policy of apparent friendliness to them has resulted in making the common people hostile toward their own soldiers. In one town the Chinese garrison, prior to the arrival of the enemy, ordered the local populace to evacuate the city but would not permit them to take their possessions. Following the evacuation the garrison completely looted the city and killed those who had refused to depart. In another place the garrison was guilty of looting, rape, murder and burning of houses and of charging the populace large sums of money for permits to enable them to return to their homes. Local government organizations were in league with the enemy and smugglers and members of secret societies deceived the people into thinking the Japanese would be friendly to them. This was true during the enemy's advance, but when they retreated they burned villages and killed the people on a vast scale. These same traitors, however, continued to work for the local governmental and party organizations after the campaign. *End of summary.*

The foregoing description of the Hupeh campaign and of the destruction resulting therefrom has been heard from other sources and is believed to be accurate. It represents a damning indictment of the Chinese military authorities responsible for the conditions existing among Chinese troops and gives an indication of the meager extent to which the Chinese armed forces can be expected to contribute to the United Nations war effort unless drastic reorganization takes place. It is not believed that the man in the street is aware of the degree of ineffectiveness of Chinese military strength and many Chinese observers are of the opinion that President Chiang Kai-shek himself is not aware of the extent to which the Chinese army has deteriorated. They state that no one dares tell him the truth and that if anyone did attempt to give him a true picture of the situation those close to the President would prevent such action. It is generally agreed that the higher military authorities are aware of these conditions but are unable effectively to remedy the situation because of economic, financial and political considerations.

Most observers agree that the distressing conditions found among Chinese troops in the Hupeh area are not confined to those forces but generally exist throughout every area. Even the troops of General Hu Tsung-nan, Deputy Commander of the 8th War Zone, which are said to be the best equipped and trained of all the Chinese forces, are reported to require monthly replacements at the rate of 600 men a division. Numerous reports have reached the Embassy of the general ill-health among Chinese troops throughout free China because of lack of sufficient food and medical attention. Many critics state that honest and efficient military administration alone would go far toward solving the problem in that the troops would then receive the food and medical supplies intended for them and the elimination of the present practice of padding the rolls indulged in by military commanders would enable the government to save a considerable sum. There seems, however, little or no hope that any effective steps will be taken by the Chinese authorities to relieve the present situation and the only positive and effective Chinese military contribution will likely come from American-trained and -equipped Chinese forces who may be expected to be given decent rations and medical attention.

Respectfully yours,

C. E. GAUSS

*President Roosevelt to Generalissimo Chiang Kai-shek*⁹³

[WASHINGTON,] November 8, 1943.

No. 3788. Many thanks for your message.^{93a} I am leaving for North Africa in 2 or 3 days and I hope to get to Cairo the 21st. Churchill will meet me there. We hope to meet Marshal Stalin in Persia about the 26th or 27th. However I would prefer that you and Churchill and I meet before that. Therefore can you try to reach Cairo by the 22nd of November? We will arrange good accommodations and guard for you and your party in or near Cairo. Please let me know as soon as you can.

ROOSEVELT

*Generalissimo Chiang Kai-shek to President Roosevelt*⁹⁴

CHUNGKING, November 9, 1943.

No. 858. Mme Chiang down with flu and dysentery. Funeral of late President Lin Sen scheduled for 17th. Provided Mme Chiang

⁹³ Copy of telegram obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y. The text of this message was repeated by President Roosevelt to Prime Minister Churchill in telegram No. 413, November 8, 1943.

^{93a} November 2, p. 156.

⁹⁴ Copy of telegram obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

has recovered I intend to leave here early on the 18th. Otherwise I must delay my departure, in which case your conference with Stalin can take place before ours. I prefer seeing you before you see Stalin and sincerely hope our plans will work out in that way.

CHIANG KAI-SHEK

893.248/285

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

No. 1792

CHUNGKING, November 9, 1943.

[Received November 27.]

Subject: Investigation of Reported Sabotage of Airfield Construction in Hengyang Area.

SIR: I have the honor to enclose a copy of despatch no. 83, October 27, 1943 from the Consul at Kweilin on the above subject. The despatch contains a summary of the memorandum enclosed therewith.

This despatch was prepared, and the investigations upon which it is based were conducted, in response to an instruction from the Embassy sent at the request of General Stilwell's headquarters. A copy of the report and its enclosure has been transmitted to General Stilwell's headquarters with the reservations that it must be regarded as secret, that it is not to be used with the Chinese authorities without the consent of the Ambassador, and that in the relations between the American Government and the Chinese authorities, such reports must be used in such manner as not to violate their confidential character, or to disclose their sources, or affect the usefulness and standing of the Foreign Service officers concerned.

Respectfully yours,

C. E. GAUSS

[Enclosure]

The Consul at Kweilin (Ringwalt) to the Ambassador in China (Gauss)

No. 83

KWEILIN, October 27, 1943.

SIR: I have the honor to refer to the Embassy's telegram no. 27, dated October 15, 1943, 3 p. m., instructing me to attempt to obtain information in regard to difficulties encountered in the Hengyang area in connection with the construction of airfields, and to enclose herewith a memorandum dated October 26, 1943,^{94a} describing the results of my investigation. In conducting this investigation, I consulted freely with members of the United States armed forces in Changsha, Hengyang and Kweilin, and cautiously and discreetly with Chinese officials,

^{94a} Not printed.

contractors, and businessmen, and with alien employees of the United States Army at Hengyang. Although some of the information obtained in private interviews might be difficult of confirmation in an official investigation, the general picture is believed to be substantially correct.

The following is a summary of the memorandum :

Construction work on the airfields in the Hengyang area has been hampered for a variety of reasons: in Hsiangtan, construction is understood to be delayed because of a lack of funds; in Kanhsien, primarily because of a technicality but (it is rumored) fundamentally because of a fear of Japanese reprisals, work on the airfield has been held up indefinitely; in Namyung and Suichuan, dilatoriness on the part of representatives of the Commission on Aeronautical Affairs has jeopardized United States Army planes; while at Hengyang there seems to be wholesale intimidation, corruption and venality in connection with airfield construction in which representatives of the Commission on Aeronautical Affairs, the War Area Service Corps, and the Hengyang Municipal Government are involved, resulting in the cancellation of one large contract and delay in the completion of several others. One of the chief sources of trouble seems to be the jealousy of the Commission on Aeronautical Affairs (which was formerly supreme in matters pertaining to aviation) of the Ministry of Communications which has taken over most of the important airfield construction work and of the United States Army Air Force which has eclipsed the Chinese Air Force. The Commanding Officer of the United States Army Services of Supply at Kweilin has recommended that an investigation be made of the situation in Hengyang by competent Chinese officials.

Respectfully yours,

ARTHUR R. RINGWALT

*President Roosevelt to Generalissimo Chiang Kai-shek*⁹⁵

[WASHINGTON,] November 10, 1943.

I am terribly sorry to learn of Madame Chiang's illness and sincerely hope that she will be fully recovered in time for our conference.

I have had a long talk with General Somervell and appreciate very much your courtesies to him. He has given me your private message^{95a} as I have already indicated to you.

I agree with you fully that we should meet together before I see Stalin. I want so much to have some good talks with you so, naturally, I am eagerly looking forward to seeing you.

ROOSEVELT

⁹⁵ Copy of telegram obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

^{95a} Message of October 30, p. 156.

127.6/358a

*Memorandum by the Adviser on Political Relations (Hornbeck)*⁹⁶

[WASHINGTON,] November 11, 1943.

A number of American nationals who have returned from China recently after having been in and around Chungking have affirmed that there is great confusion among and between various American official agencies operating in China, due to the fact that these agencies are operating independently of one another and are responsible only to the different authorities in Washington under which they function respectively. The view has been advanced by some of these observers that the personnel of some of these groups in China seem to be concerned much more for the interests of their own agency than for those of the United States; and the further view has been advanced by some that some system should be devised whereby all of this personnel will be brought under the supervision of some one controlling American authority in Chungking.⁹⁷

S[TANLEY] K. H[ORNBECK]

President Roosevelt to Generalissimo Chiang Kai-shek^{97a}

[WASHINGTON, November 12, 1943.]

Personal. I am just off for French North Africa and our meeting place where I am scheduled to arrive by the 22d. I expect to stay there until the 26th when I will go to see our friend from the north and then return to our conference place in 3 or 4 days.

I do hope you can come by the 22d and that Madame Chiang is much better. Please give her my warm regards.

ROOSEVELT

Brigadier General Patrick J. Hurley^{97b} to *President Roosevelt*^{97c}

CAIRO, 20 November 1943.

I have inspected the Chinese Theatre of Operations. I spent considerable time with the American Generals, Lieutenant General Stilwell, Major General Chennault, and other Chinese and American

⁹⁶ Addressed to the Assistant Secretary of State (Shaw), the Under Secretary of State (Stettinius), and the Secretary of State.

⁹⁷ Marginal notation by William E. DeCourcy, Executive Assistant to the Assistant Secretary of State (Shaw): "Such a system has already been devised and has been in effect for many months. WEDC"

^{97a} Copy of telegram obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

^{97b} Special representative of President Roosevelt in the Near East; he had made an inspection trip to China.

^{97c} Copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

Army Officers. I was accompanied into the Chinese Theatre by Major General Stratemeyer who is Commander of the American Air Operations in the India and China Theatres. I had two conferences with the President of China, Generalissimo Chiang Kai-shek. The Generalissimo expressed his complete confidence in you, in your motives, and in the principles that you have promulgated.

The Generalissimo talked very frankly about the coming conference in Cairo. He questioned whether or not he could meet Marshal Stalin at Teheran on the terms of amity becoming such a meeting. He related to me frankly the causes that impelled him to hesitate to have a personal meeting with Marshal Stalin. He related to me his suspicions concerning Russia's desires to communize China and perhaps for complete conquest and annexation to Russia of a portion of China.

I recalled to him Marshal Stalin's renunciation of world conquest as a fundamental policy of communism. I told him that in my opinion Marshal Stalin is now committed to the proposition that communism can succeed in Russia alone without an attempt being made to force it on the rest of the world. I said also that in my opinion Russia is no longer subsidizing or directing communist activities in other nations. I suggested to the Generalissimo that Russia's own experience with communism in Russia is to some extent neutralizing what we considered to be the harsher elements of the communistic ideology. I said that I realized that there are communist political parties in other nations but in my opinion such parties are neither directed nor subsidized from Russia.

In corroboration of these arguments I drew the Generalissimo's attention to the recent Moscow declaration. Notwithstanding this, the Generalissimo still appeared to entertain grave doubts of the friendly intentions of the Soviet Government toward China.

The Generalissimo stated that he wished to see you first in Cairo and much depended on his conference with you as to whether or not he would subsequently confer with Marshal Stalin.

I hope I may have the opportunity of discussing with you the Chinese-Russian problem before you have a conference with the Generalissimo.

The Generalissimo stated that so far as you and Prime Minister Churchill are concerned he has no doubt of being able to find a basis of complete cooperation.

As President of China and as Generalissimo, Chiang Kai-shek will recommend that the coming conference reiterate the Atlantic Charter.⁹⁸ If possible he would like to have your Four Freedoms^{98a}

⁹⁸ Joint declaration by President Roosevelt and British Prime Minister Churchill on August 14, 1941; Department of State *Bulletin*, August 16, 1941, p. 125, or 55 Stat. 1603.

^{98a} See address by President Roosevelt to Congress, January 6, 1941, Department of State, *Peace and War: United States Foreign Policy, 1931-1941* (Washington, Government Printing Office, 1943), p. 608.

specifically included in the declaration of the Cairo or Teheran conference.

After conferences with the Generalissimo which covered approximately six hours, I have drawn the following conclusions:

(1) The Generalissimo and the Chinese people favor the principles of democracy and liberty.

(2) The Generalissimo and the Chinese people are opposed to the principles of imperialism and communism.

(3) He believes that you, of course, favor democracy and liberty. He understands, however, that you may temporarily have to temporize with imperialism and communism in the interests of the joint war effort.

(4) He is aware that the future co-operation and unity of the United Nations must depend upon your ability to assimilate rather than eliminate divergent ideologies. He is convinced that you must find principles on which the Big Four nations can agree. In seeking these principles he feels that you must have extensive freedom of action.

(5) He wanted me to say to you that he has implicit confidence in your motives and that he is committed to the fundamental principles which you have promulgated.

(6) He will, therefore, follow your leadership on the diplomatic and political questions that will be considered in the impending conference.

On strategy he finds himself unable to accept a subordinate position in the Asiatic area to Lord Mountbatten. He stated that so far as the Chinese Theatre of Operations is concerned he must be supreme. He stated that if he should accept a secondary position in that theatre it would divide his following and eventually so weaken his position that he could no longer maintain himself as the leader of all China. Notwithstanding this attitude he is ready to cooperate fully with Lord Mountbatten and he thinks that in Northern Burma and eventually in Thailand and possibly in Indo-China, there would be circumstances in which he would favor the control of British, American and Chinese troops being placed under one commander. He said that he personally liked Lord Mountbatten and that he could visualize future operations outside of China where he would want his Lordship to be the Supreme Commander of United Nations forces, including Chinese Armies. However, he was steadfast in maintenance of the principle that in the Chinese Theatre it is better for himself and China and the United Nations that he should remain the ultimate authority.

He expressed the opinion that the subjugation of Japan should be sought through an attack on Japan in Japan. Attacks should be made from various sectors of the Pacific Theatre, the India-Burmese and the Chinese Theatres simultaneously. These attacks should be co-

ordinated and directed toward the ultimate occupation and conquest of Japan in Japan. Tokio and all Japan is the objective rather than any state, island or citadel outside of Japan. He also spoke with clarity of the strategy of attacking Tokio and all Japan through China.

In all of the foregoing it will be apparent to you that I have confined myself to a discussion of the attitude of President-Generalissimo Chiang Kai-shek toward a meeting with Marshal Stalin.^{98b} I have purposely refrained from injecting into this letter any of the reasons why Marshal Stalin might not want a public meeting with Chiang Kai-shek at this moment. For instance, Marshal Stalin might be opposed to taking any action that might cause the closing of the Port of Vladivostok. Moreover, you may find that Marshal Stalin might be convinced that it would be unwise to take any action that might bring an enemy down on his rear in the present posture of the conflict.

In evaluating the Generalissimo's conversations it is advisable to consider with some skepticism the Chinese capacity, or readiness, to contribute materially to offensive warfare. It is advisable likewise to give consideration to the relative importance placed by the Chinese Central Government upon conserving its strength for maintenance of its postwar internal supremacy as against the more immediate objective of defeating Japan. These are questions I should like to discuss with you further.

Respectfully yours,

PATRICK J. HURLEY

127.6/358a

*Memorandum by Mr. William E. DeCourcy, Executive Assistant to the Assistant Secretary of State (Shaw)*⁹⁹

[WASHINGTON,] November 24, 1943.

MR. SHAW: For your information, in connection with the attached memorandum of November 11 from Mr. Hornbeck,^{99a} I am giving below the names of the chief representatives of other civilian agencies of the Government assigned to Chungking:

FEA (OEW) Walter W. Fowler

FEA (OLLA) J. Franklin Ray

OWI Francis M. Fisher

IDC John K. Fairbanks, who is to be replaced within the near future by George Kates.

^{98b} In a message to President Roosevelt dated November 12, 1943, Marshal Stalin stated: "It goes without saying that at Tehran there will take place a meeting of the heads of only the three Governments as was agreed. The participation of the representatives of any other powers must be absolutely excluded." (Moscow Embassy Files, Lot F-96.)

⁹⁹ Addressed to the Assistant Secretary of State (Shaw).

^{99a} *Ante*, p. 163.

Until recently Clyde Sargent represented the OSS in Chungking, but as OSS operations in China are now to be carried on under the direction of the theater commander, Mr. Sargent will not be attached to the Embassy when he returns.

All of the above listed representatives have been designated "Special Assistant—American Embassy" at the specific request of Ambassador Gauss, who preferred that designation to the usual one of "Special Assistant to the American Ambassador". I have not seen any reports from the Embassy in Chungking complaining of the activities of other civilian agencies and if proper supervision and control is not being exercised in accordance with the provisions of D.S. No. 3553 of August 15, 1942,¹ responsibility must rest, to a large extent, with the Embassy itself. I suggest that an instruction be sent to the Embassy requesting a report on the situation.

W. E. DECOURCY

740.0011 Pacific War/3557 : Telegram

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

CHUNGKING, November 26, 1943—5 p. m.

[Received November 26—2: 33 p. m.]

2246. Drumright in telegram November 17 from Loyang reports as follows:

According to Chinese believed to have reliable connections who recently saw Wang Ching-wei and high Japanese military officials at Nanking, Japan eager to arrange peace with Chungking and continues to make unsuccessful offers. Japanese army leaders professedly think Japan can use reported United Nations differences to strengthen Japanese position in Pacific, hoping to play British off against Americans or Soviets against British. Matsuoka² departed Japan October 7 for Soviet Union to try arrange Russo-German peace. Wang still has little power and his efforts expand authority blocked by Japanese. He visited Japan end September to seek cessation of grain seizures and cotton control in occupied areas but his request denied.

Repeated to Moscow.

GAUSS

¹ Diplomatic Serial No. 3553, on coordination of the activities of all civilian representatives of executive departments and agencies of the Government; not printed (127.6/166a).

² Yosuke Matsuoka, Japanese Minister for Foreign Affairs, July 22, 1940—July 16, 1941.

740.0011 Pacific War/3558 : Telegram

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

CHUNGKING, November 27, 1943—10 p. m.

[Received November 27—4:14 p. m.]

2265. Kweilin reports under date November 24 that Changteh reported in flames; that Changsha heavily bombed 23rd and Kweilin observers believe it will be attacked in immediate future with little possibility of other than usual perfunctory defense; that it is reliably reported that larger proportion Jap troops to puppets are being employed than in last campaign; that in Kwangtung Japs have occupied Canton-Kowloon railway area and are threatening Waichow; that if Changsha falls it is considered likely Japs will open drive on Canton-Hankow railway which observers believe will not meet effective Chinese resistance; and that if that line is occupied Americans east of it will be isolated.

Embassy is instructing Kweilin to watch developments carefully with a view, if situation develops adversely, to advising Americans in Changsha or any other locality that may be threatened to withdraw in ample time to safer place.

GAUSS

893.51/7724

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

No. 1870

CHUNGKING, November 30, 1943.

[Received December 16.]

SIR: I have the honor to refer to previous despatches and telegraphic reports in regard to the current economic and financial situation in China as it relates to the war effort, including the Embassy's despatches nos. 1529 and 1564 of August 31 and September 10, 1943, respectively,³ and to submit further comment on this subject.

1. Mr. S. Adler, the Chungking representative of the U. S. Treasury Department, summarizes various of the significant factors in the general economic situation in China as follows:

a. Notes in circulation at the end of August 1943 reached a total of CN \$56,250,000,000, and, with the continuing rate of monthly increase of CN \$3,250,000,000, at the end of 1943 will total something like \$70,000,000,000 CN, having more than doubled during the year.

b. The budgetary deficit for 1943 will probably amount to more than CN \$25,000,000,000. In 1944 expenditures are expected to reach between CN \$60,000,000,000 and CN \$80,000,000,000. Revenues are not expected to exceed one-half of the expenditures.

³ *Post*, p. 444, and *ante*, p. 113, respectively.

c. Along with these aspects of currency inflation, prices continue to advance approximately 10 per cent a month and at the end of October 1943, were some 160 times (16,000%) the 1937 level.

d. There is little reason to expect that any great reduction of note circulation will result from the Chinese Government's announced plan, if put into effect, of selling in China \$200,000,000 U. S. worth of gold, to be obtained from the United States against the half-billion dollar American credit. (Notwithstanding announcement of this plan, definite decision has not yet been taken as to the employment of the gold in question.)

e. A further adverse factor is the lessening of the existing meager industrial production in free China due to machine deterioration and lack of replacement parts.

The Minister of Economic Affairs, Dr. Wong Wen-hao, one of the soundest and more competent of the higher officials of the Chinese Government, informed us not long ago that he could envisage no solution for the problem of inflation in this country, and he mentioned that even the tax system, especially collection in kind, had proven disappointing because of corruption on the part of the poorly paid tax officials. He said that the people found it unbearable, as evidenced by the resultant peasant revolts against it in a number of provinces of free China.

It must be accepted as fact that the Chinese cannot solve their desperate economic problems. China not only lacks the administrative machinery to enforce price, anti-hoarding and other anti-inflationary controls, but Chinese officials, merchants and the people in general do not have the psychological make-up under present conditions which is necessary for effective cooperation for success in such matters.

2. The military and political implications in this situation are obvious and have lately become more and more apparent. Corollary to the economic deterioration there has been a steady military deterioration with the result that China's war effort the past four years has been completely defensive and in many respects has become very passively and complacently so. The Chinese have more and more developed the tendency to rely, for the protection and maintenance of free China, less upon their armies than upon geographic factors and the reluctance of the Japanese to expend enough men and materials to drive the Chinese Government from Chungking. (The U. S. 14th Air Force has been the weapon, by its attacks upon enemy air strength, including installations, which has forced the Japanese air arm to concentrate on counterattacks on "allied" airfields and to refrain from costly efforts to bomb the Chinese Government out of Chungking.) We have mentioned in previous reports the serious and widespread deterioration of the Chinese troops due to malnutrition, lack of militarily useful activity, corruption of officers, and the participation by troops in trade with the enemy and enemy-held terri-

tory for subsistence purposes and sometimes for profit; we have reported the weakening of the Government's internal position and the serious effects which the situation is having upon prospects for post-war political and economic reconstruction.

Serious as are the political implications in the situation, it would be a mistake to assume that the inevitable result will be compromise with Japan. Chiang Kai-shek and his supporters who control the Government have no thought of capitulation, or of endeavoring to work out any *modus vivendi* with Japan as long as they can keep going. They learned long ago in north China in the bitterest way what "cooperation" with the Japanese means and since have had more than ample evidence in the occupied areas of China and of other Far Eastern countries of what might be expected from coming to terms with Japan. A compromise arrangement with the Japanese would hold no benefit to the leaders of a Government whose soundest store of value is in its funds and foreign exchange credits in the United States and who realize the necessity of being on the winning side. There is no question that China's leaders and the Chinese as a whole have during the past year acquired a conviction that the Allies will win the war. Indeed, the optimism and wishful thinking of the Chinese in respect to an early termination of the war, including an early collapse of Japan, have made them all the more vulnerable psychologically to reverses; and this provides one of the reasons why failure of a Burma campaign would have most serious effects upon Chinese morale. By hastening the process of the already continuing economic, military and political deterioration, it would without much question tend to diminish at an accelerated pace China's war effort and reduce the amount of active help which the Chinese Government could furnish to our military and other governmental agencies concerned in the general war effort in this theatre.

3. The question of what further the American Government can do toward causing improvement in this situation remains ever before us and becomes increasingly urgent as time goes on.

In addition to the problem of assisting an Ally who has suffered at the hands of the enemy for six years and who continues to contain almost half a million Japanese troops with their equipment including a large number of planes, our pressing immediate problems are two-fold: (1) to increase our aid to China so that if she can be persuaded to do so she may in time take an active rather than a passive—an offensive rather than a weak defensive—role in the war against Japan; and (2) to induce the Chinese to make such actively affirmative contribution to the war effort *now* as is in their capacity—and there is much they can do at present to help the Allied cause which they are not by any means doing. (There is another long range problem

which need not be considered here—that of diverting the Chinese Government from its fascist-like tendencies, both political and economic, into the direction of democracy so that it will be easy and natural for China to cooperate with us, economically as well as politically, after the war.)

4. Unfortunately, due in part to China's inability to help herself economically, there appears to be little effective economic help we can furnish China at the present time and under present conditions. Foreign loans appear to have lost effective value as a palliative for the constantly deteriorating economic situation. The American Stabilization Loan has not been actually used and the Stabilization Board (which since the outbreak of the Pacific War has more and more become an instrumentality of the Chinese Ministry of Finance rather than a free agent and which is now moribund) has not stabilized the currency. While the official rate as against U. S. currency is 20 to 1, American dollars sell in black markets at from 80-100 to 1, and the only "stabilization" that has been effected has been in the restricted field of international remittances. The American half-billion dollar credit, although it gave great encouragement to the Chinese Government at the time it was arranged and consequently helped to sustain confidence in the Government's capacity to carry on, has had little or no other effect on China's internal economy, has not retarded inflation, and has been economically useful to the Chinese Government chiefly because it has provided a means of building up the Chinese Government's foreign exchange reserves abroad. (There is reason to believe that the Chinese Government has been eager to use up the half-billion dollar credit to clear the decks for a request for a further American loan.) The project for the sale of gold—the most recent Chinese device to utilize the American loan—may be abandoned by the Chinese Government as far as its original purpose is concerned and the gold may be used as a reserve in connection with post-war international monetary arrangements. Even if the gold should be utilized for the originally announced purpose, it is not expected that its sale in free China will, as against the continuing excessive rate of currency expansion, so reduce note circulation as to retard inflation to any appreciable degree.

5. Politically, it is believed that the American Government has been doing everything possible to assist China. Mere political gestures have, like loans, lost effective value. But concrete gestures such as the inclusion of China in the recent Moscow Declaration have obvious immediate as well as long range value and tend to strengthen and make more solid China's community of interest with us and her other principal ally in international affairs. Such developments hold, of course, a very considerable appeal to the Chinese, especially be-

cause of the implications that China is one of the "Big Four" and is a first-class power and because considerations of face so extensively govern Chinese thought and action.

But such developments do not influence China much, if at all, toward acting like a first-class power in respect to her obligations to her Allies. This is not entirely due to cynical selfishness and self-interest. It is due in part to war weariness and to the Chinese conviction, which we and our propagandists both official and unofficial have helped the Chinese to acquire, that they have already done their part and may well sit back, conserving what they have of treasure and materials and men and obtaining from us more treasure and materials if they can, while we defeat Japan and bring into being the rosy post-war China on which they are now concentrating so much wishful thinking.

Mixed with this wishful thinking are some definite apprehensions for the future which gnaw on the official Chinese mind as justification for conservation of military resources and for diverting more than half a million soldiers (including some of the best Chinese divisions) from the Japanese front to blockade the Chinese communist forces. The Chinese are apprehensive lest in time the Russians sweep down through Manchuria and with the aid of the Chinese communists occupy north China as well as Manchuria. They suspect that the British do not wish Burma recaptured with the assistance of China and the United States; that the British may occupy Thailand and stay there; and that once Malaya is retaken from the Japanese, British effort toward crushing Japan will dwindle. They suspect that by the time this happens the United States itself may be so war weary that we may make a compromise peace with Japan. There is a definite relationship between these apprehensions and the question of the Chinese willingness, aside from the question of capacity, to revitalize China's war effort.

6. We cannot expect China to increase her contribution to the war effort beyond her capacity, or even up to a point near the limit of her capacity. The yardstick of China's great manpower as a mighty military potential, so frequently used by commentators and "experts" in the United States and elsewhere to measure China's value to the Allied cause, is a false gauge. Without artillery, without adequate supplies and reserves of munitions and equipment and other essentials, without intensive training of troops, efficient leadership and vastly improved morale, it is fantastic to expect China to undertake any serious offensive against the Japanese, now or in the long future. China simply does not have the capacity, or the spirit, to do so.

But there is much that China can do, and is not doing, to assist in the defeat of Japan. China can and should contribute to her ally, the

United States, a larger, more realistic and wholehearted cooperation and assistance in the measures taken by the United States to aid China in the China theater; to protect China from Japan and to reach forward to the vitals of Japan—to strike at Japan's war industries, and bases, and shipping and naval strength and air and military strength in China, in the areas near China, and in Japan, for the purpose of crippling and destroying them by air power.

China has long cried loudly for greater air aid—for planes for an almost nonexistent Chinese air force, and for American air support. But the expansion of aerial activity in China and its extension to the vitals of Japan depends not alone on the provision of planes and pilots but on the necessary facilities for the use and support of those planes and pilots; it depends upon the provision of numerous adequate air bases with all the facilities needed at such bases for efficient air operations; it depends on roads connecting airfields with bases of supply; it depends on transport for constant and continuing supply, and so on. It depends also upon military dispositions by the Chinese ground forces to cover the extension of the line of bases eastward, ever forward, to within striking distance of Japan and Formosa and neighboring areas. It depends upon proper and adequate military dispositions by Chinese ground forces to cooperate with the air forces themselves in protecting such bases against the inevitable Japanese expeditions for their destruction.

It is such aid and assistance that China can give, and give in abundant measure, to assist her allies, and by assisting them, to help herself in the winning of the war. It is such aid and assistance that China is not giving, or is giving only half-heartedly or in meagre measure.

The Chinese—some of them sincerely but lacking knowledge of the real situation—may dispute that charge; but the facts remain that China's aid has been found sadly wanting; that there are long, unexplained delays in getting on with the construction of air bases and air base facilities and roads; that budgets are cut and only restored after pressure; that appropriated funds are long delayed in being issued from the Chinese treasury and work is constantly postponed until funds are available; that there is evidence of graft and corruption and even of sabotage of honest effort; that costs are fantastically high for both labor and materials and there is no disposition to check them; that, while the American Government itself is contributing enormous sums for the provision of the necessary air base facilities, for transportation costs, et cetera, exchange rates are being held at a ridiculous and arbitrary level—with no real disposition to effect an honest adjustment, or to provide reverse lend-lease or mutual aid; that troops which might be used to protect the eastward movement

of our line of attack on Japan from the air—to protect air base construction and to defend the bases when constructed—are stationed elsewhere to blockade Chinese communist areas or to prepare for civil war in China after the defeat of Japan; and that there is also evidence that under threats by the Japanese of bombing operations in localities where airfields may be constructed, local authorities have impeded—practically sabotaged—the plans for such projects.

Be as charitable as one may, it cannot be said that China is contributing in any reasonable measure, within her resources, to the war effort in the China theater; China is not helping her Allies to help herself.

7. After some six years of war the Chinese are undoubtedly tired and war weary. While they have no thought of capitulating or of seeking an arrangement with Japan, they have more or less persuaded themselves that they have done their full part in this war and their inclination is to sit back, conserve their resources, and let us win the war for them. We are ourselves greatly to blame for having allowed China to slip into this state of complacency. Our propaganda at home has helped the Chinese to persuade themselves that they have done their full share in the war.

China is dependent upon the friendship and generosity of the United States not only during the war but in the post-war reconstruction period. Her leaders fully realize this but are too inclined to take American aid—military, financial, and political—as a matter of course; almost as a matter of right.

By a more realistic—but frank, honest and open—attitude and approach it should be possible for us to persuade China to abandon her lethargic complacency and revitalize her war effort within the available means and resources of the country and in a more cooperative and responsible and appreciative attitude toward her American ally, which alone is assisting her in her distress.

Our aid to China by way of the provision of military and other supplies must continue to be limited until land or sea supply routes can be re-established. Reopening of the Burma Road would not, of course, result in an immediate influx of consumers goods, because its capacity would be taxed with the transport of military supplies needed to expand our military activities and to equip the Chinese for any possible expansion of theirs. But it would result in a tremendous upswing in morale which would have a very salutary effect on the general economic situation because it would cause a rebirth of confidence in the currency and would force the release of hoarded goods.

8. As present circumstances limit us to the military (principally the aerial) field in aiding China, it is to military developments within China and in adjacent areas that we must look for possible sources of

improvement in the unhappy economic situation. Meanwhile, barring crop failures, that situation will continue as it is, worsening steadily toward some time and point at which the present almost fixed rate of deterioration will break into chaos. Fortunately that time and point is yet some distance away.

Mention was made in despatch no. 1529 that economic and financial experts in China seem to agree that inflation of itself (notwithstanding the fantastic rate of the spiraling) will not result in economic collapse in the near future because China is fundamentally an agricultural country and the great majority of the population live off the land. Dr. Young,⁴ American adviser to the Chinese Ministry of Finance, was cited as of the opinion that the determining factors in the situation for the future were the extent of the Chinese Government's growing deficit; the state of public confidence, which largely depends upon the military situation especially in China and in areas adjoining China; and the state of the crops.

In despatch no. 1564, we reaffirmed our opinion that the agricultural considerations mentioned above preclude the probability of the occurrence of a general economic collapse in the same time ratio as that of the collapse in Austria in the years 1921-23 following a somewhat parallel seven year period of inflation, and that the question of the maintenance of the economic situation against wholly disastrous deterioration resolves itself into military problems. We pointed out that acceleration of American victories in the Pacific would improve Chinese morale and therefore benefit Chinese economy and finance (the Chinese, notwithstanding their own lack of affirmative war effort, are very articulate in their complaints against the slowness of the "stepping-stone campaign" in the South Pacific islands). The view was expressed that early recapture of Burma would result in a great lift in confidence, which would have extremely beneficial results on the economic situation in general. (It was also pointed out, as has been done in other despatches and telegraphic reports, that failure of a Burma campaign would be a disaster of the first magnitude.) We gave our considered opinion that the determining factors were and would continue to be those comprised in military developments within China and in adjoining areas.

Dr. Wong Wen-hao has stated to us that he believes it is impossible to make any definitive prediction as to how long the present disheartening financial and economic situation can continue but that in his opinion a major economic crisis does not seem likely to occur within a year or a year and a half. Mr. Adler, in connection with his summary of the adverse factors in the situation described in paragraph numbered one of this despatch, has commented that, notwithstanding

⁴ Arthur N. Young.

the famine conditions in some areas and the failure of a second crop in Honan Province, the 1943 harvest has been on the whole satisfactory and that the Chinese Government should be able to supply the Chinese forces with sufficient food to last during the coming year. Mr. Adler considers that, other factors being more or less constant, there is no danger of imminent collapse so long as the food supply continues to be maintained and he believes, as does the Embassy, that the chief hope for economic improvement in free China rests in an early and successful Allied campaign against Burma.

9. While some of the highest officials are complacent in regard to the question of a Burma campaign, the general feeling is that the Burma Road is China's life-line and must be reopened soon. In the absence of such campaign—or in the absence of a comparable substitute such as the occupation of Indochina or of a south China port—the situation may be expected to continue to develop adversely along its present course, giving us a leeway of perhaps a year or a little longer before a serious crisis occurs. Meanwhile our present aid to China will continue to help maintain the situation, especially if the Chinese can be persuaded to help themselves by helping us in the ways that are open to them to do so. This can be accomplished by making it clear to the Chinese, as we continue to help them with the 14th Air Force and with lend-lease materials, that we expect them to do their part, within their capacities, actively and affirmatively to further the common cause.

Respectfully yours,

C. E. GAUSS

Cairo Legation Files: Lot 52F34

Press Communiqué Regarding Conference of President Roosevelt, Generalissimo Chiang Kai-shek, and Prime Minister Churchill at Cairo^o

President Roosevelt, Generalissimo Chiang Kai-Shek and Prime Minister Churchill, together with their respective military and diplomatic advisers, have completed a conference in North Africa. The following general statement was issued:

"The several military missions have agreed upon future military operations against Japan. The three great Allies expressed their resolve to bring unrelenting pressure against their brutal enemies by sea, land and air. This pressure is already rising.

^oThis is the agreed text as it was given by Harry Hopkins, Special Assistant to President Roosevelt, to the Minister in Egypt (Kirk), November 26, 1943. The communiqué was released to the press by the White House on December 1. The records of the Cairo Conference are scheduled for publication in a subsequent volume of *Foreign Relations*.

“The three great Allies are fighting this war to restrain and punish the aggression of Japan. They covet no gain for themselves and have no thought of territorial expansion. It is their purpose that Japan shall be stripped of all the islands in the Pacific which she has seized or occupied since the beginning of the first World War in 1914, and that all the territories Japan has stolen from the Chinese, such as Manchuria, Formosa, and the Pescadores, shall be restored to the Republic of China. Japan will also be expelled from all other territories which she has taken by violence and greed. The aforesaid three great powers, mindful of the enslavement of the people of Korea, are determined that in due course Korea shall become free and independent.

“With these objects in view the three Allies, in harmony with those of the United Nations at war with Japan, will continue to persevere in the serious and prolonged operations necessary to procure the unconditional surrender of Japan.”

740.0011 Pacific War/3576 : Telegram

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

CHUNGKING, December 4, 1943—noon.

[Received 4:40 p. m.]

2322. President and Madame Chiang Kai-shek conferred in Cairo with President Roosevelt and Churchill last week of the month. The resulting tripartite declaration was considered by Chinese a great diplomatic victory for China as (1) constituting a promise by the United States of America and Britain to effect return to China of territories taken from her by Japan; (2) ensuring Manchuria against feared future encroachment by Soviet Russia; and (3) entailing no additional commitments [of] service on China's part other than that related to the unconditional surrender of Japan. [Here follows summary of month's developments.]

GAUSS

893.9111 RR/43.12.04 : Telegram

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

CHUNGKING, December 4, 1943.

[Received 5:15 p. m.]

2324. Press comment. Cairo Conference highly pleasing to Chinese press. Official circles said to view conference [as] “great success” in that leaders were able to attain significant achievement especially with regard to strengthening common efforts for counter-offensive against Japs until unconditional surrender; they state conference serious blow to Axis aggressors and great comfort and in-

spiration to all people under domination aggressors and that all Chinese people hold in high esteem farsightedness President Roosevelt and Churchill.

[Here follows summary of Chinese press comment.]

GAUSS

*President Roosevelt to Generalissimo Chiang Kai-shek*⁷

[CAIRO,] 5 December 1943.

Conference with Marshal Stalin⁸ involves us in combined grand operations on European Continent in late spring giving fair prospect of terminating war by end of summer of 1944. These operations impose so large a requirement of heavy landing craft as to make it impracticable to devote a sufficient number to the amphibious operation in Bay of Bengal simultaneously with launching of Tarzan⁹ to insure success of operation.

This being the case: would you be prepared to go ahead with Tarzan as now planned, including commitment to maintain Naval control of Bay of Bengal coupled with naval carrier and commando amphibious raiding operations simultaneous with launching of Tarzan? Also there is prospect of B-29 bombing of railroad and port Bangkok.

If not, would you prefer to have Tarzan delayed until November to include heavy amphibious operation. Meanwhile concentrating all air transport on carrying supplies over the hump to air and ground forces in China.

I am influenced in this matter by the tremendous advantage to be received by China and the Pacific through the early termination of the war with Germany.

*Madame Chiang Kai-shek to President Roosevelt*¹⁰

CHUNGKING, December 5, 1943.

MY DEAR MR. PRESIDENT: The Generalissimo and I arrived in Chungking on the morning of December 1st. On our way we in-

⁷ Copy of telegram obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

⁸ Conference of President Roosevelt, Prime Minister Churchill and Premier Stalin at Tehran. For joint statement signed December 1, released at White House December 6, see Department of State *Bulletin*, December 11, 1943, p. 410. From Tehran, President Roosevelt and Prime Minister Churchill returned to Cairo where they conferred with President Inonu of Turkey; see communiqué issued December 7, in Cairo, *ibid.*, p. 412. The records of these Conferences are scheduled for publication in a subsequent volume of *Foreign Relations*.

⁹ North Burma campaign plan.

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

spected the training of the Composite Wing in Karachi. We also stopped at Ramgarh for the day to inspect the troops and to attend the practice of tanks and artillery and finally, late that night, we stopped at Chabau where we had a conference with the generals commanding the forces at the Ledo front. Admiral Mountbatten met us at Ranchi and accompanied us to the Ramgarh manoeuvres. You will be glad to know that the Generalissimo was delighted with the training and spoke to the troops exhorting them to give their best in the coming Burma campaign.

Since our homecoming the Cairo communiqué has been published. Its effect of uplifting the morale of our army and the people has been electric; in fact the entire nation is articulate to a degree that has never been known before in unanimously hailing the conference as a sure sign-post leading the Far East towards post-war peace. The leadership which you so eminently displayed and the magnificent spirit permeating all that you are undertaking for the good of humanity are subjects of conversation amongst all Chinese circles. The consensus of opinion is that "President Roosevelt is a great man and he does things in a truly great spirit."

Immediately upon our return the Generalissimo consulted with Dr. Kung regarding the feasibility of the plan which you suggested in our conference regarding the alleviation of China's urgent economic situation. Dr. Kung has studied its possibilities with great care and he wishes me to tell you that, in his opinion, your suggestion is both generous and kind and he thinks some feasible procedure could be worked out with the aid of Secretary Morgenthau. He appreciates the interest and concern you have shown in helping us to fight aggression not only with the military machine, but with economic weapons as well. He is impressed with the fact that you see with such clear foresight and vision that, in order to continue resistance, methods and means must be evolved to hold intact China's economic security, a fact which you doubtless will remember that the Generalissimo emphasized was even more critical than the military.

The Generalissimo is now thinking of asking Dr. Kung or his appointee, empowered with full credentials, to go to Washington to discuss the details with the American Government and would like to know whether this is satisfactory to you. It would, of course, be best if Dr. Kung could go himself, but, failing that, he will send one of his trusted men to go in his stead.

I need not tell you how grateful we feel that you have promised to speak to the Treasury about the two hundred million gold bar arrangement.

The Generalissimo wishes me to thank you again for your promise to help stabilize the *fapi*.

With all good wishes [etc.]

MAYLING SOONG CHIANG
(Madame Chiang Kai-shek)

P. S. I do hope "Uncle Joe"¹¹ came up to expectations, did he?
M. S. C.

893.001 Chiang Kai-shek/15

The Chinese Ambassador (Wei) to the Secretary of State

WASHINGTON, December 8, 1943.

MY DEAR MR. SECRETARY: I have the honor to inform you that I have just received the following message, dated December 7, 1943, addressed by the Chairman of the National Government of the Republic of China to the President of the United States of America:

"I find it difficult to express the great pleasure I felt in meeting you. Madame Chiang was particularly delighted to see you again shortly following the memorable visit to your country.

"Our recent conference in the neighborhood of Cairo is momentous and historic. The official communiqué is hailed by the Chinese army and people, just as it is hailed elsewhere. In heralding a sure and complete victory, the conference crystalized as never before our war aims in the Far East. It vindicated the full cooperation and firm solidarity of the United Nations. While giving renewed impetus to every soldier and civilian on our side, it sealed the fate of Japan, our ruthless common enemy. It has in fact laid the corner stone of a just and lasting peace after the unconditional surrender of the Axis powers. Because of your high ideal of justice, the conference proved a success which will, I am certain, have favorable repercussions in the world military situation.

"May I express to you my deep appreciation for the noble spirit and broad vision you have consistently shown in dealing with world problems particularly for the unfailing assistance you have repeatedly rendered to China.

"Madame Chiang joins me in sending you our heartiest greetings and she wishes to be kindly remembered to Mrs. Roosevelt."

I shall be greatly obliged if you will be good enough to transmit the above message to its high destination.

I am [etc.]

WEI TAO-MING

✓ *Generalissimo Chiang Kai-shek to President Roosevelt*¹²

CHUNGKING, December 9, 1943.

I have received your telegram of December 6th [5th]. Upon my return I asked Madame Chiang to inform you of the gratifying effect

¹¹ Marshal Stalin.

¹² Copy of telegram obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

the communiqué of the Cairo conference has had on the Chinese Army and people in uplifting their morale to continue active resistance against Japan. This letter is on the way and is being brought to you by the Pilot Captain Shelton.

First: Prior to the Cairo conference there had been disturbing elements voicing their discontent and uncertainty of America and Great Britain's attitude in waging a global war and at the same time leaving China to shift as best she could against our common enemy. At one stroke the Cairo communiqué decisively swept away this suspicion in that we three had jointly and publicly pledged to launch a joint all-out offensive in the Pacific.

Second: If it should now be known to the Chinese Army and people that a radical change of policy and strategy is being contemplated, the repercussions would be so disheartening that I fear of the consequences of China's ability to hold out much longer.

Third: I am aware and appreciate your being influenced by the probable tremendous advantages to be reaped by China as well as by the United Nations as a whole in speedily defeating Germany first. For the victory of one theater of war necessarily affects all other theaters; on the other hand, the collapse of the China theater would have equally grave consequences on the global war. I have, therefore come to this conclusion that in order to save this grave situation, I am inclined to accept your recommendation. You will doubtless realize that in so doing my task in rallying the nation to continue resistance is being made infinitely more difficult:

(1) Because the danger to the China theater lies not only in the inferiority of our military strength, but also, and more especially, in our critical economic condition which may seriously affect the morale of the army and people, and cause at any moment a sudden collapse of the entire front. Judging from the present critical situation, military as well as economic, it would be impossible for us to hold on for 6 months, and *a fortiori* to wait till November 1944. In my last conversation with you, I stated that China's economic situation was more critical than the military. The only seeming solution is to assure the Chinese people and army of your sincere concern in the China theater of war by assisting China to hold on with a billion gold dollar loan to strengthen her economic front and relieve her dire economic needs. Simultaneously, in order to prove our resolute determination to bring relentless pressure on Japan, the Chinese Air Force and the American Air Force stationed in China should be increased, as from next spring, by at least double the number of aircraft already agreed upon, and the total of air transportation should be increased, as from February of next year, to at least 20,000 tons a month to make effective the operation of the additional planes.

(2) In this way it might be possible to bring relief to our economic condition for the coming year, and to maintain the morale of the army and the people who would be greatly encouraged by America's timely assistance. What I have suggested is, I believe, the only way of

remedying the drawbacks of the strategy concerning the China and Pacific theaters. I am sure you will appreciate my difficult position and give me the necessary assistance. I have instructed General Stilwell to return immediately to Chungking and I shall discuss with him regarding the details of the proposed changed plan and shall let you know of my decision as to which one of your suggestions is the more feasible. From the declaration of the Teheran conference, Japan will rightly deduce that practically the entire weight of the United Nations forces will be applied to the European front thus abandoning the China theater to the mercy of Japan's mechanized air and land forces. It would be strategic on Japan's part to:

(3) Liquidate the China affair during the coming year. It may therefore be expected that the Japanese will before long launch an all-out offensive against China so as to remove the threat to their rear, and thus recapture the militarists' waning popularity and bolster their fighting morale in the Pacific.

This is the problem which I have to face. Knowing that you are a realist, and as your loyal colleague, I feel constrained to acquaint you with the above facts. Awaiting an early reply.

CHIANG KAI-SHEK

740.0011 Pacific War/3558: Telegram

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

WASHINGTON, December 10, 1943—10 p. m.

1781. In advising American nationals to withdraw from areas endangered by military operations (last paragraph your 2265, November 27, 10 p. m.) Embassy should emphasize that it has been found extremely difficult to arrange for the repatriation of American nationals captured by Japanese during military operations.

It is suggested that the Embassy, if it has not already done so, may wish to compile and keep current a list of American nationals in areas immediately threatened by military operations. Department should be immediately informed of the names of any Americans caught by the Japanese.

HULL

711.93/543: Telegram

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

CHUNGKING, December 15, 1943—3 p. m.

[Received 6:10 p. m.]

2422. United States Army HQ has been informed by an "official British source" that Chinese Government circles here are deeply agitated over an article by Nathaniel Peffer in *New York Times Magazine*

November¹³ or December 7 in which Mme. Chiang's hypocritical utterances during her United States tour and China's political corruption and combat inefficiency are "candidly discussed".

While frank and just criticism of China and China's war effort is undoubtedly beneficial in various respects (see Embassy's despatch 1695, October 18[]), we are left in a difficult position in meeting Chinese resentment against it if not promptly and accurately informed in regard to published criticism of China in the United States and it would be helpful to us if the Department would promptly telegraph to us a résumé of any such recent article. Pearl Buck article in a May issue of *Life*, July IPR article by Bisson, Baldwin article in *August Reader's Digest*—all of which caused widespread repercussions here as we reported fully at the time—reached us only indirectly long after publication and not only was our position made more difficult because of those circumstances but we were seriously handicapped in our endeavors to meet the situation in an appropriate way.

GAUSS

711.93/543 : Telegram

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

WASHINGTON, December 22, 1943—midnight.

1845. There is being transmitted by separate telegram¹⁴ a summary of *New York Times* article by Nathaniel Peffer, referred to in your 2422 of December 15, and full text is being forwarded by air pouch.¹⁵

Peffer's article is restrained in tone and is in fact a plea for a balanced view and for the exercise of forbearance in discussions of American-Chinese relations. In achieving this balance the author has spoken frankly, but the Department does not consider that the article is unfair to China or overdrawn, although certain passages, especially the references to Madame Chiang, are perhaps not in the best of taste.

Department will endeavor to supply the Embassy by telegraph with summaries of articles published in the United States containing criticism of China deemed to have a controversial character. OWI states that copies of Peffer and other critical articles had already been sent by air mail to Fisher, who will doubtless be willing to make similar material available to you in future.

HULL

¹³ November 7, 1943.

¹⁴ Telegram No. 1850, December 23, 10 p. m., not printed.

¹⁵ Instruction No. 482, January 1, 1944, not printed.

893.50/370

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

[Extract]

No. 1952

CHUNGKING, December 23, 1943.

[Received January 12, 1944.]

Subject: "A Review of Economic Conditions in Free China" prepared in the Office of the Adviser on International Economic Affairs.

SIR: I have the honor to refer to the Department's third person instruction No. 409, September 30, 1943,¹⁶ on the above subject, and, in compliance therewith, to enclose a memorandum of comment and suggestion prepared by the Commercial Attaché of the Embassy, who, as suggested by the Department, has consulted with Mr. Solomon Adler, representative of the Treasury Department and has incorporated Mr. Adler's comments and suggestions with his own.

I am of the opinion that American production experts could do little, with the facilities and resources available, to increase production in free China under existing conditions.

Respectfully yours,

C. E. GAUSS

[Enclosure]

Memorandum by the Commercial Attaché in China (Richards)

[CHUNGKING,] December 17, 1943.

MEMORANDUM ON "A REVIEW OF ECONOMIC CONDITIONS IN FREE CHINA"

Mr. McGuire's¹⁷ review is very thorough and competent and he seems to have made good use of the materials at his disposal.

There is attached a list of suggested amendments and alterations.¹⁶

I submit the following by way of comment to bring the information in the review up to date:

Conditions have continued approximately as outlined in the review, with a steady deterioration in the physical condition of industrial and transport equipment, and a rapid increase in the volume of currency circulation, which is irregularly but inevitably reflected in the price structure.

On the brighter side of the picture are the fairly good crops recently harvested, which ensure against a food shortage in most areas (with some unfortunate exceptions), and continued reports of United

¹⁶ Not printed.¹⁷ Paul F. McGuire.

Nations successes in Europe and the South Pacific. These reports bolster morale and encourage the hope that the end of the blockade of China may not be much longer deferred. It is not probable that China's loosely integrated economic structure will crack for some time unless there should be a bad crop failure, when the situation might become acute.

The only measure which might reasonably be expected to check the rapid spiraling of prices would be a successful campaign in Burma, promising the opening of the Burma Road. While with the reopening of that artery of land communications it would for a long period of time be necessary to restrict traffic to the transport of military supplies and equipment, and only limited quantities—if any—of commercial goods could be brought into China, the fact that land communication with outside sources of supply had been re-established, with promise of early victory over Japan, would lead to the release of hoarded stocks and generally ease the economic position in the country as a whole.

The Government of China has been making some attempt to reduce the rate of inflation by reducing railroad and other construction; but these budgetary savings have been negligible as compared with the inevitably increasing costs resulting from mounting commodity prices. At the end of October, for example, it was found necessary by the Government to quadruple government salaries and double cost of living allowances. The only apparent effect of the reduction in construction activities has been a decrease in the demand for steel and cement.

Proposed assistance of American production experts.

Government officials consulted have indicated that the assistance of American production experts would be welcomed but it was evident that they were thinking mainly of post-war reconstruction rather than an increase in war-time output. The need for a chemical engineer was mentioned and it is possible that such an engineer might be of immediate value in improving the production of fuel alcohol from sugar. (Under the present system, it takes 11 kilos of brown sugar or 15 kilos of molasses to produce one gallon of 96 percent alcohol.) Mining is said to be notably inefficient but an American mining engineer (Mr. Marshall Morris of the FEA) does not believe that an American mining engineer could do much to improve the situation, because of political difficulties. There seems to be much room for improvement in the transportation situation and an American expert, if given a competent staff and a free hand, could probably do much to improve it through more efficient use of available facilities and through possible ability to obtain the most vitally needed imports. To be effective, however, he would have to be free of political interference and in a position to

act ruthlessly, and it is unlikely that an American expert would be permitted to exercise the necessary powers, even if they were initially granted to him.* The Minister of Economic Affairs goes farther in suggesting the utility of a man of great prestige and broad caliber, familiar with all aspects of industry, including finance, production, transportation and distribution, who could integrate the conflicting policies of the different ministries and bureaus. It seems extremely improbable, however, that such an economic dictator would be accepted or permitted to function.

There are a number of very competent Chinese mechanical engineers, who are doing reasonably well with the facilities available. It is possible that American production engineers, accustomed to modern equipment and to the availability of stores of supplies, would be less adept than the Chinese at the improvisation required to keep factories going in the difficult circumstances encountered in China. American engineers now in China are generally agreed that production experts from the United States, with the facilities available, could do little to increase production or even to prevent a decline in production, as machinery continues to deteriorate and transportation and the financial situation get steadily worse. In the post-war reconstruction, there will be a very great need for American production experts, including both graduate engineers and factory superintendents and shop foremen.

There is attached a copy of a memorandum²⁰ of conversation with Dr. Wong Wen-hao, Minister of Economic Affairs, on the subject of American experts.

Data on Current Output.

It is impossible to obtain comprehensive or accurate data on current output in China of industrial raw materials and finished products. The *Statistical Monthly*, issued by the Directorate General of Budgets, Accounts and Statistics, contains some production statistics. The Statistical Division of the Ministry of Economic Affairs issues production statistics from time to time, but its efforts have been hampered by the prolonged illness of its director and a shortage of personnel. Some information can be obtained from the various divisions of the National Resources Commission, in regard to production by the factories and mines controlled by the Commission, and from the Industrial and Mining Adjustment Administration in regard to production by privately-owned factories and mines. Available production data will be transmitted separately.

J. BARTLETT RICHARDS

* Technical personnel provided by the FEA is now in China, assisting the Chinese in connection with maintenance of equipment and other transportation problems, but there is no one with broad authority. [Footnote in the original.]

²⁰ Not printed.

811.244/367

*The Vice Consul at Kweilin (Service) to the Ambassador in China
(Gauss)* ²¹

No. 94

KWEILIN, December 30, 1943.

SIR: I have the honor to refer to the Consulate's despatch No. 52, September 14, 1943, and its airgram No. A-25 of December 30, 11 a. m.,²² and to submit a report on the activities of the committee which was organized in September, 1943, by Chairman Huang Hsü-chu of the Kwangsi Provincial Government to investigate into rumored cases of corrupt practices on the part of businessmen in Kwangsi in their business relations with the United States Army Services of Supply in Kweilin and other centers in this province.

Summary: Following its initial meeting on September 10, 1943, this committee remained moribund until December, 1943, when it was revived at the insistence of General Pai Chung-hsi, who had originally suggested to Chairman Huang that such a body should be created. As a result of discreet comments on the subject of corrupt practices here which were made by the commanding officer of the Services of Supply in this area to representatives of the local press at an off-the-record, background-information press conference on December 15, 1943, the provincial chairman received identical telegrams dated December 18, 1943, from President Chiang Kai-shek and Minister of War Ho Ying-ch'in demanding submission of the names of firms and banks withheld by Major R. B. Hodgson, commanding officer of the Services of Supply in this area, in describing cases of corruption cited in the press conference, and ordering the chairman to take steps immediately to punish the offenders. The first case which was turned over to the committee by Major Hodgson, to be handled exclusively by that committee, was settlement of the Army's difficulties with regard to leasing of a building recently erected by the Y. M. C. A. This case has practically been settled by the committee at the time of preparation of this despatch, and the building should be available to the Army in a short time.

[Here follows detailed report.]

Respectfully yours,

RICHARD M. SERVICE

²¹ Copy transmitted to the Department by the Ambassador in China in his despatch No. 2045, January 20, 1944; received February 12, 1944.

²² Neither found in Department files.

740.0011 Pacific War/12-3143

*Memorandum by Mr. John P. Davies, Jr.*²³

THE CHINA AND SOUTH EAST ASIA THEATERS: SOME
POLITICAL CONSIDERATIONS

The mission of the South East Asia Command is to defeat the enemy in and presumably occupy former British and Dutch colonies and Thailand. French Indochina may later be included.

In so far as we participate in SEAC operations, we become involved in the politically explosive colonial problems of the British, Dutch and possibly French. In so doing, we compromise ourselves not only with the colonial peoples of Asia but also the free peoples of Asia, including the Chinese. Domestically, our Government lays itself open to public criticism—"Why should American boys die to recreate the colonial empires of the British and their Dutch and French satellites?" Finally, more Anglo-American misunderstanding and friction is likely to arise out of our participation in SEAC than out of any other theater.

By concentrating our Asiatic effort on operations in and from China we keep to the minimum our involvement in colonial imperialism. We engage in a cause which is popular with Asiatics and the American public. We avoid the mutual mistrust and recrimination over the colonial question, potentially so inimical to harmonious Anglo-American relations.

① * General Stilwell has submitted a plan for increased American effort in the China theater. It envisages, among other things, the recapture of Canton, Hong Kong and Shanghai and a possible attack on Formosa. He proposes to use American and Chinese forces to accomplish this. The Chinese welcome this plan. It gives them something to fight for. They have slight interest in entering Burma, Thailand and French Indochina for only the territorial benefit of the British and the French. But their own territory and Formosa (which they claim) provide a real incentive.

The Chinese Army is great in size. But it is relatively untrained and generally corrupt. However much the Generalissimo and his Army may in principle wish to assume the offensive, they cannot effectively do so excepting under firm American guidance. American leadership can concretely be exercised only as General Stilwell is

²³ Unsigned and undated copy transmitted with a memorandum by the Chief of the Division of Far Eastern Affairs (Ballantine) to the Secretary of State on December 31, 1943, which stated: "I think that you will find of interest the underlying memorandum dealing with some political considerations affecting the prosecution of the war in the Chinese and Southeast Asia theatres which was prepared and sent to me by Mr. John Davies, Jr., a Foreign Service officer now serving on the Staff of General Stilwell." General Stilwell and Mr. Davies were at Cairo in November.

given bargaining power, for the Chinese are sharp, practical traders. All aid and concessions to China must therefore be made in consultation with and through General Stilwell.

It is not proposed that with a concentration of effort on the China theater we should forthwith turn our backs on SEAC. In cooperation with SEAC we need to retake North Burma immediately and so reopen a land route to China. But after the recapture of North Burma there comes a parting of the ways.

The British will wish to throw their main weight southward for the repossession of colonial empire. Our main interest in Asia will lie to the East from whence we can strike directly and in coordination with other American offensives at the center of Japan's new Empire.

811.458 China/53 : Telegram

*Generalissimo Chiang Kai-shek to President Roosevelt*²⁴

CHUNGKING, December 31, 1943—2 p. m.

THE PRESIDENT: I take much pleasure in conveying to you and your people and army my warm greetings and best wishes for 1944 which will be the most decisive year in our war against the aggressors. Recent events have clearly shown that this titanic struggle will inevitably end in a total victory for the United Nations who will not lay down arms until their common enemies have unconditionally surrendered. I can assure you that the Chinese people are determined to play their full part in helping to bring about the consummation of our joint task of building a new world which is made truly safe for democracy.

CHIANG KAI-SHEK

811.244/364

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

No. 1980

CHUNGKING, December 31, 1943.

[Received January 24, 1944.]

SIR: Referring to the Embassy's despatch No. 1936 of December 20, 1943,²⁵ in regard to United States Army contracts with the Chinese Industrial Cooperatives, I have the honor to enclose²⁶ (a) copy of a report dated December 22, 1943, together with its enclosures, prepared by Mr. F. M. Fisher, Chief of the China Division of OWI, and (b) copy of excerpts from a draft news despatch on the subject of United

²⁴ Copy transmitted to the Department by President Roosevelt with a covering memorandum of January 1, 1944.

²⁵ Not printed.

²⁶ Enclosures not printed.

States Army purchases of supplies in China, written December 14 by Mr. Preston Grover, chief Associated Press correspondent for China and India, which was "killed" by the U. S. Army censorship authorities in Chungking.

Summary. Mr. Fisher describes the wave of profiteering which has accompanied every effort of the United States Army authorities in the China theater to acquire materials, buildings or sites locally. Merchants, banks and even persons with semi-official status have made a practice of cornering materials, et cetera, needed by the United States Army and have asked extortionate prices for the sale thereof. The inevitable result has been the widespread knowledge of such acts throughout the American armed forces and their consequent dislike of China. The head of the Kweilin office of OWI recently held a press conference to which were invited representatives of the Chinese newspapers at Kweilin and during which an SOS [*OSS?*] officer explained the relation between the high prices the Army was having to pay and the desire of the United States Army authorities to bring into China gasoline, bombs and similar materials rather than ordinary supplies for every day use of the American troops. This conference was described to the Chinese correspondents as being off the record and merely for background material. Following the conference, editorials attacking Chinese profiteering at the expense of China's American ally appeared in three of the leading Kweilin papers and the local Chamber of Commerce is reported to have agreed to make purchases on behalf of the American forces.

Explaining that his despatch is based on interviews and observations in Chungking, Kunming and Kweilin, Mr. Grover states that rampant war profiteering by the Chinese on supplies and services for American forces in China is one of the most vexing problems for Americans here. He describes some of the prices charged by Chinese contractors and adds that complaints to the Chinese Government have so far been fruitless. Mr. Grover's article also contained a description of the general situation in China which is being made the subject of a separate despatch to the Department.²⁷

Respectfully yours,

C. E. GAUSS

²⁷ Not printed; it stressed "great need of a genuine Allied victory" to improve conditions in China (893.00/15239).

POLITICAL CONDITIONS IN CHINA; SINO-SOVIET RELATIONS; ATTITUDE OF THE UNITED STATES TOWARD THREATENED KUOMINTANG-COMMUNIST CONFLICT¹

893.00/14922 : Telegram

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

CHUNGKING, January 19, 1943—2 p. m.

[Received 3:27 p. m.]

101. Chinese press item from Lanchow states that on January 16 the Kuomintang headquarters (Tangpu) was inaugurated at Tihua, Sinkiang, General Sheng Shih-tsai, chairman of the provincial government, took oath as chairman of the Tangpu and declared his sincerity of purpose in obeying the director of the party (General Chiang Kai-shek²). The Embassy is informed that the Chungking authorities originally sent a party official to Tihua with the idea of appointing him chairman of the Tangpu there; that General Sheng did not approve; and that Sheng's appointment was compromise solution.

It is generally felt that developments in the Sinkiang situation have not warranted early hopes that the province would be brought within the National Government fold. Government troops have not entered the province and it is reported that Russian troops in limited numbers are still at Hami and other centers in Sinkiang. Otherwise there seems to be little or no evidence of Russian political influence although Russian commercial and economic interests are considerable. However, some progress is being made. From Chungking teachers and experts are being sent into Sinkiang and relations are clearly closer than they were a half year ago. General Sheng is no doubt loath to give up strong bargaining position between Russia and China and may be expected to endeavor while giving lip service to the National Government to keep a foot in both camps until the Chungking authorities are in a position to extend their authority by force.

GAUSS

¹ Continued from *Foreign Relations*, 1942, China, pp. 191-267.

² President of the Chinese Executive Yuan (Premier).

893.00/14956

*Memorandum of Conversation, by the Second Secretary of Embassy
in China (Drumright)*³

[CHUNGKING,] January 20, 1943.

I called by appointment on Chou En-lai, Chinese Communist party representative at Chungking, at his official residence yesterday afternoon.

Chou volunteered the information that at present time relations between the Chinese communists and the Chinese National Government are "easier", but he went on to say that there has been no "practical" change. He said that General Lin Piao, a Chinese communist general of considerable repute, is in Chungking and that the latter has been received by the Generalissimo. He said that the Chinese communist military forces have received no military or financial support from the Chinese National Government for the past three and one-half years. He asserted that there are still occasional military clashes between Chinese communist forces and Chinese National Government troops, chiefly in Kiangsi, Anhwei and Hupeh provinces. He declared that the only National Government troops remaining in North China are the forces of General Yen Hsi-shan in southwestern Shansi and some troops in north Honan, north of the Yellow River. Chou said that General Wei Li-huang had been relieved of his command at Loyang, Honan, because he was too friendly with the Chinese communists and too active against the Japanese forces to suit the wishes of the Chinese high command at Chungking. Chou said that General Wei is now living at Chengtu.

Chou deplored what he asserted to be the present inactive military and economic policy of the Chinese National Government, saying he feared it might be the cause of misunderstanding between China and her allies. He thought that notwithstanding China's present difficult supply problem, China could be more active in a military way—especially in guerrilla warfare—against the Japanese. In the economic and financial fields, Chou felt that China should increase production—especially of agricultural crops—and should reduce expenditures. But neither of these programs would be followed, he said.

Chou dwelt at some length on possible future Japanese moves: he did not feel that Japan would attack Siberia or India or Australia. He believed that an attempt to crush Chinese resistance is rather more to be expected. He mentioned Yunnan as the most likely objective of Japanese penetration. Changsha and Sian were other possible objectives, he asserted.

³ Copy transmitted to the Department by the Ambassador in China in his despatch No. 912, February 2; received February 23.

Chou remarked that the Japanese are bending every effort to strengthen their position in north China. He said that in 1942 they had carried out a so-called "Fifth Campaign" with a view to eliminating Chinese resistance in north China. Like the other campaigns it had been a failure: the Chinese communists remain in the area. He asserted that a General Chou, Chinese communist vice-commander under Peng Teh-huai in the Tai Hang mountain area of Shansi, had been killed during the campaign. Chou remarked that the Japanese are looting central China of its food resources. He said that the Japanese are utilizing more and more puppet troops in the occupied areas of China, withdrawing Japanese troops to other territory. He remarked that according to intelligence available to him, the 2nd Japanese Division had been recently transferred from North China to the south.

With reference to conditions in Sinkiang province, Chou remarked that General Sheng Shih-tsai, Chairman of the Sinkiang Provincial Government and local satrap for the past ten years, is a very clever man; and he thought that the Chinese National Government would be well advised to move slowly in taking over control of Sinkiang.

When on the point of departing, I remarked that I hoped to be in Sian within the next few months, Chou said that if I cared to go to the special communist area in north Shensi (and could obtain the assent of the National Government authorities), he would be glad, on receipt of word from the Embassy, to arrange for my entry into Yen-an. I said that I was interested in a trip to Yen-an if it proved to be possible and that I would bear his remarks in mind.

EVERETT F. DRUMRIGHT

893.00/14969

*Memorandum by the Third Secretary of Embassy in China (Service),
Temporarily in the United States*

[WASHINGTON,] January 23, 1945.

KUOMINTANG-COMMUNIST SITUATION

An outstanding impression gained during the past eighteen months spent in Chungking and in travel through Southwest and Northwest China is that the most careful study should be given to the internal political situation in China, particularly the growing rift between the Kuomintang and the Communists.

The "United Front" is now definitely a thing of the past and it is impossible to find any optimism regarding the possibility of its resurrection as long as present tendencies continue and the present leader-

ship of the Kuomintang, both civil and military, remains in power. Far from improving, the situation is deteriorating. In Kuomintang controlled China the countering of Communism is a growing preoccupation of propaganda, of both military and civilian political indoctrination, and of secret police and *gendarmerie* activity. There is not only a rigorous suppression of anything coming under the ever widening definition of "Communism" but there appears to be a movement away from even the outward forms of democracy in government. It is now no longer wondered whether civil war can be avoided, but rather whether it can be delayed at least until after a victory over Japan.

The dangers and implications of this disunity are obvious and far-reaching. Militarily, the present situation is a great hindrance to any effective war effort by China. Its deterioration into civil war would be disastrous. [The situation therefore has direct relationship to our own efforts to defeat Japan.] At the present time a large and comparatively well trained and equipped portion of the Kuomintang Army is diverted from active combat against the Japanese to blockade the Communists. In the north (Kansu and Shensi) the lines are well established by multiple lines of block houses and these large forces remain in a condition of armed readiness. Further south (Hupeh, Anhwei, North Kiangsu) the lines are less clearly demarcated and sporadic hostilities, which have gone on for over two years and in which the Kuomintang forces appear to take the initiative, continue.

On the other side, the Communist Army is starved of all supplies and forced in turn to immobilize most of its strength to guard against what it considers the Kuomintang threat. It was admitted by both parties that there was extreme tension in Kuomintang-Communist relations in the spring of 1942. The Communists believe that it was only the Japanese invasion of Yunnan that saved them from attack at that time. The Communists and their friends claim, furthermore, that the Kuomintang is devoting its energies to the strengthening of its control over those parts of China accessible to it rather than to fighting Japan. This strengthening of the position of the Kuomintang will of course assist it in reestablishing its control over areas which will then be opened to it. A logical part of such a policy would be the taking over, as soon as an opportunity is found, of the Communist base area in Kansu-Shensi. Success in this move would weaken the Communists and make easier the eventual recapture by the Kuomintang of the Communist guerrilla zones. To support this thesis the Communists point to the campaign in the more extreme Kuomintang publications for the immediate abolition of the "Border Area". Another factor sometimes suggested as tending to provoke an early Kuomintang attack on the Communists is the desirability, from the

Kuomintang point of view, of disposing of them before China finds itself an active ally of Russia against Japan.

The possible positive military value of the Communist army to our war effort should not be ignored. These forces control the territory through which access may be had to Inner Mongolia, Manchuria and Japanese North China bases. The strategic importance of their position would be enhanced by the entry of Russia into the war against Japan. This importance is largely potential but fairly recent reports of continued bitter fighting in Shansi indicate that the Communists are still enough of a force to provoke periodic Japanese "mopping up" campaigns. Reflection of this is found in the intensive Japanese anti-Communist propaganda campaign in North China in the summer of 1941, although the fact must not be overlooked that Japanese propaganda has emphasized the anti-Communist angle to appeal to whatever "collaborationist" elements there may be in occupied China and to the more conservative sections of the Kuomintang. This activity in Shansi and the difficulties of the Japanese there contrast with the inactivity on most of the other Kuomintang-Japanese fronts.

Aside from the immediate war aspects, the political implications of this situation are also serious. Assuming that open hostilities are for the time being averted, the eventual defeat and withdrawal of the Japanese will leave the Kuomintang still confronted with the Communists solidly entrenched in most of North China (East Kansu, North Shensi, Shansi, South Chahar, Hopei, Shantung, North Kiangsu and North Anhwei). In addition the Communists will be in position to move into the vacuum created by the Japanese withdrawal from Suiyuan, Jehol and Manchuria, in all of which areas there is already some Communist activity. In the rest of China they will have the sympathy of elements among the liberals, intellectuals, and students. These elements are of uncertain size but of considerable influence in China, and the Kuomintang's fear of their power, and the power of whatever underground organization the Communists have succeeded in maintaining in the Kuomintang area, is indicated by the size and activity of its various secret police organs.

But possibly the greatest potential strength of the Communists, and one reason why military action against them will not be entirely effective at the present time, is their control of the rural areas of North China in the rear of the Japanese. Here the Kuomintang cannot reach them and the Communists have apparently been able to carry out some degree of popular mobilization. I am in possession of a secret Kuomintang publication describing the "Communist Control of Hopei". It discusses measures of combatting the Communists (by such means, for instance, as the blockade now being enforced) and concludes that if the Communists fail to "cooperate" (i. e. submit to

complete Kuomintang domination) they must be "exterminated". I hope to make a translation of this pamphlet which would appear to have significance as an official Kuomintang indication of the policy it will pursue in these areas. It seems reasonable to question, as some thoughtful Chinese do, whether the people of these guerrilla zones, after several years of political education and what must be assumed to be at least partial "sovietization", will accept peacefully the imposition of Kuomintang control activated by such a spirit and implemented by military force and the political repression, and secret police and *gendarmerie* power, which are already important adjuncts of party control and which are being steadily strengthened and expanded.

Non-Communist Chinese of my acquaintance (as, for instance, the nephew of the well known late editor of the *Ta Kung Pao*) consider the likelihood of civil war the greatest problem facing China. They point out that the Communists are far stronger now than they were when they stood off Kuomintang armies for ten years in Central China and that they will be much stronger yet if it proves that they have succeeded in winning the support of the population in the guerrilla zone. They point to numerous recent instances of successful Communist infiltration into and indoctrination of opposing Chinese armies (such as those of Yen Hsi-shan) and wonder whether this will not cause a prolongation of the struggle and perhaps make a victory for the Kuomintang, or for either side, impossible. There is undoubtedly a strong revulsion in the mind of the average, non-party Chinese to the idea of renewed civil war and the Kuomintang may indeed have difficulty with the loyalty and effectiveness of its conscript troops.

Belief in the certainty of eventual civil war leads these same Chinese to question whether the United States has given sufficient realistic consideration to the future in China of democracy. The question is raised whether it is to China's advantage, or to America's own interests, for the United States to give the Kuomintang Government large quantities of military supplies which, judging from past experience, are not likely to be used effectively against Japan but will be available for civil war to enforce "unity" in the country by military force. These Chinese also speculate on the position of American troops which may be in China (in support of the Kuomintang Army) if there should be civil war; and wonder what will be the attitude of Russia, especially if it has become by that time a partner in the victory over Japan.

But ignoring these problematical implications, there can be no denial that civil war in China, or even the continuation after the defeat of Japan of the present deadlock, will greatly impede the return of peaceful conditions. This blocking of the orderly large scale

rehabilitation of China will in itself seriously and adversely affect American interests. Even if a conflict is averted, the continuance or, as is probable in such an event, the worsening of the already serious economic strains within the country may result in economic collapse. If there is civil war the likelihood of such an economic collapse is of course greater. *
Fears

There is also the possibility that economic difficulties may make the war-weary, over-conscripted and over-taxed farmers fertile ground for Communist propaganda and thus bring about a revolution going beyond the moderate democracy which the Chinese Communists now claim to be seeking. Such a Communist government would probably not be democratic in the American sense. And it is probable, even if the United States did not incur the enmity of the Communists for alleged material or diplomatic support of the Kuomintang, that this Communist government would be more inclined toward friendship and cooperation with Russia than with Great Britain and America. U.S.
Fears

For these reasons it would therefore appear to be in the interest of the United States to make efforts to prevent a deterioration of the internal political situation in China and, if possible, to bring about an improvement. }

The Communists themselves (Chou En-lai and Lin Piao in a conversation with John Carter Vincent and the undersigned about November 20, 1942) consider that foreign influence (obviously American) with the Kuomintang is the only force that may be able to improve the situation. They admit the difficulty of successful foreign suggestions regarding China's internal affairs, no matter how tactfully made. But they believe that the reflection of a better informed foreign opinion, official and public, would have some effect on the more far sighted elements of leadership in the Kuomintang, such as the Generalissimo.

The Communists suggest several approaches to the problem. One would be the emphasizing in our dealings with the Chinese Government, and in our propaganda to China, of the political nature of the world conflict; democracy against fascism. This would include constant reiteration of the American hope of seeing the development of genuine democracy in China. It should imply to the Kuomintang our knowledge of and concern over the situation in China. }

Another suggestion is some sort of recognition of the Chinese Communist army as a participant in the war against fascism. The United States might intervene to the end that the Kuomintang blockade be discontinued and support be given by the Central Government to the Eighteenth Group Army. The Communists hope this might include a specification that the Communist armies receive a proportionate share of American supplies sent to China.

Another way of making our interest in the situation known to the Kuomintang would be to send American representatives to visit the Communist area. I have not heard this proposed by the Communists themselves. But there is no doubt that they would welcome such action.

This visit would have the great additional advantage of providing us with comprehensive and reliable information regarding the Communist side of the situation. For instance we might be able to have better answers to some of the following pertinent questions: How faithfully have the Communists carried out their United Front promises? What is the form of their local government? How "Communist" is it? Does it show any democratic character or possibilities? Has it won any support of the people? How does it compare with conditions of government in Kuomintang China? How does the Communist treatment of the people in such matters as taxation, grain requisition, military service and forced labor compare with that in the Kuomintang territory? What is the military and economic strength of the Communists and what is their probable value to the Allied cause? How have they dealt with problems such as inflation, price control, development of economic resources for carrying on the war, and trading with the enemy? Have the people in the guerrilla area been mobilized and aroused to the degree necessary to support real guerrilla warfare?

Without such knowledge, it is difficult to appraise conflicting reports and reach a considered judgment. Due to the Kuomintang blockade, information regarding conditions in the Communist area is at present not available. Such information as we do have is several years out of date, and has limitations as to scope and probable reliability. Carlson⁴ was primarily a military man and had a limited knowledge of the Chinese language. Most of the journalists who have been able to visit the Communist area appear to have a bias favorable to the Communists. They also suffered from language limitations and were unable to remain in the area for an extended period.

I suggest that the American representatives best suited to visit the Communist area are Foreign Service Officers of the China language service. One or two men might be sent. They should combine moderately long term residence at Yen-an or its vicinity with fairly extensive travel in the guerrilla area. It is important that they not be required to base a report on a brief visit during which they would be under the influence of official guides, but that they should have a sufficient time to become familiar with conditions and make personal day to day observations.

There is mail and telegraphic communication between Yen-an and Chungking, and similar communication between various parts of the

⁴ Maj. Evans Carlson, United States Marine Corps, formerly in China.

Communist area. The officers would therefore not be out of touch with the Embassy and could, if it is thought desirable, make periodic reports.⁵

893.00/14685 : Telegram

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

WASHINGTON, January 25, 1943—midnight.

137. Reference Department's telegram to Chungking, no. 58, March 13, 1941⁶ and Embassy's telegram no. 114, March 26, 1941.⁷

A report has reached us, presumably based on statements made by Edgar Snow⁸ and Chou En-lai, to the effect that, due to such factors as (1) deteriorating economic condition of the people in areas under the control of the National Government, (2) deterioration of the National Government's armies resulting from economic and financial situation and from the static condition of China's warfare against Japan, and (3) the growing strength of the Chinese communist armies through defections from National Government armies and sale of arms to communist forces by soldiers of the National Government armies, the National Government may in the near future take repressive steps against the communists which might result in outbreak of civil war.

The Department would appreciate your views, without your making specific inquiries outside the Embassy, in regard to the foregoing report.

HULL

893.00/14924

*Memorandum by the Third Secretary of Embassy in China (Service),
Temporarily in the United States*

[WASHINGTON,] January 26, 1943.

Reference Chungking's despatch No. 800, December 16, 1942,⁹ enclosing copies in translation¹⁰ of: the Resolution concerning Kuomintang-Communist relations passed by the recent plenary session of the Kuomintang's Central Executive Committee; a reply of the Communist Party; and an editorial from the Communist daily at Chungking.

⁵ For comments by the Chief of the Division of Far Eastern Affairs (Hamilton) and the Adviser on Political Relations (Hornbeck), see memoranda dated January 28 and 30, p. 201.

⁶ *Foreign Relations*, 1941, vol. v, p. 490.

⁷ *Ibid.*, p. 492.

⁸ Correspondent in China for the *Saturday Evening Post* and author of *Red Star Over China* (1938).

⁹ *Foreign Relations*, 1942, China, p. 264.

¹⁰ Enclosures not printed.

[Here follows summary of a portion of the despatch.]

The Communists (Chou En-lai and General Lin Piao are referred to) were not particularly apprehensive of an immediate conflict. They were, however, pessimistic regarding any improvement in relations. Lin was concerned over present small scale clashes between Central Government troops and the "New Fourth Army", and the Government's insistence on that Army's *actual* as well as *theoretical* elimination. Chou was reported to "continue to believe" that "it is a case of *when* rather than *whether* the Kuomintang takes forceful action to liquidate the Communists." His hope for the avoidance of present trouble is that Chiang Kai-shek's political wisdom will "steer away from trouble for the time being even though less wise party and military men might wish to have a showdown now." (I was present at this interview with Chou and Lin which is here only partially reported. Lin was obviously very gloomy and discouraged. He said that he had come to Chungking in regard to the recent clashes between the Central Government and the New Fourth Army, rather than to discuss over-all Kuomintang-Communist relations. Negotiations had proved impossible because of the uncompromising attitude of Chungking military leaders.)

[Here follows summary of remainder of the despatch.]

Comment: This description of the present Kuomintang leadership, with which I am in entire agreement, was fully developed in a memorandum by John Carter Vincent, entitled: "The Chinese National Government; Its Leadership and Influential Elements", forwarded by Chungking under cover of despatch No. 553, July 30, 1942.¹¹ That memorandum is background for many of the unsupported statements made in this despatch.

In that memorandum, there were also made several points which have direct relationship to the question of Kuomintang-Communist relations and the likelihood of civil war: the conservative character of the Party follows through to the Army, some parts of which desire to conserve their strength for eventual internal "adjustments"; if Chiang Kai-shek is removed the principal preoccupation will be internal unity; effective measures for financial, economic and social reform cannot be expected from the present leadership either now or in the post-war period; if Russia assists in the defeat of Japan, the liberals and Communists will be greatly strengthened; rather than meet the situation by long overdue reforms, it is likely that the present Kuomintang leadership will go to the extremes of reaction, adopting suppressive measures to kill all opposition.

¹¹ *Foreign Relations, 1942, China*, p. 211.

893.00/14969

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton)*¹²

[WASHINGTON,] January 28, 1943.

The Kuomintang-Communist situation in China is one which we should, of course, follow with care. A few days ago we asked Mr. Gauss by telegram to send us a report on the matter. Upon the receipt of his report, it is suggested that we give careful consideration to the question of asking the Embassy to send an officer to visit the Communist areas.

M[AXWELL] M. H[AMILTON]

893.00/14969

*Memorandum by the Adviser on Political Relations (Hornbeck)*¹²

[WASHINGTON,] January 30, 1943.

We should, I think, maintain an attitude of intelligent skepticism with regard to reports emphasizing the strength of the "Communist" forces in China and expressing apprehensiveness that civil war in China may be imminent. We should, of course, follow these leads with close attention—but with caution. The suggestion mentioned as coming from a Chinese source that we might see to it that a part of such arms as we ship to China go to the "Communists" is one which, were we to listen to it, would launch us on a course of playing both sides in a foreign country, which we never have followed, which I trust we never will follow, and which, if followed, would be both vicious and stupid. (The Japanese have followed such courses.) It will be interesting to see what Mr. Gauss reports.

S[TANLEY] K. H[ORNBECK]

893.00/14956

*Memorandum of Conversation, by the Second Secretary of Embassy
in China (Drumright)*¹³

[CHUNGKING,] January 30, 1943.

Yesterday, at a luncheon given by Chou En-lai, Chinese communist representative in Chungking, which was attended by Colonel Barrett, Colonel DePass, Mr. Clubb¹⁴ and the writer, opportunity was had

¹² Commenting on memorandum by John S. Service dated January 23, p. 193.¹³ Copy transmitted to the Department by the Ambassador in China in his despatch No. 912, February 2; received February 23.¹⁴ Military Attaché in China, Assistant Military Attaché, and Second Secretary of Embassy in China, respectively.

to have an informal conversation with General Lin Piao. (General Lin Piao is a very noted Chinese communist military leader. Rather diminutive in appearance, he is 35 years of age and is a native of a village located not far from Hankow, Hupeh. In 1924 he was a student at Whampoa Military Academy at Canton under Generalissimo Chiang Kai-shek. It is said that he was wounded three times in the course of the Generalissimo's drive against the communists. He also sustained a serious chest wound in a clash with Japanese forces in western Shansi in 1938 or 1939. He directed the operations of the Chinese communist forces when they won their most noted victory over the Japanese at Pinghsingkuan in northern Shansi in the autumn of 1937. According to General Lin's own statement the Japanese suffered 4,000 casualties in this engagement.)

General Lin said that he had left Yen-an, Shensi, in the early part of October 1942 and that he had arrived in Chungking after about three weeks' travel by truck. He said that life in Yen-an is now very difficult, that the only staple food available is millet. He said that Mao Tse-tung, acknowledged leader of the Chinese communists, is in fair health but that he suffers from rheumatism owing to residence in the damp loess caves. He said that now although nearly sixty years of age, General Chu Teh, field commander of the Chinese communist forces, retains his good health. He said that General Chu is in the field, as is the vice commander, General Peng Teh-huai.

General Lin said that since coming to Chungking he has been received on two occasions by his old teacher, the Generalissimo. He said that the Generalissimo had received him courteously. It was gathered that he and the Generalissimo had discussed Kuomintang-communist relations; that as a representative of the Chinese communists he had requested that the blockade of the communist special area in north Shensi be lifted, that the communists be supplied with funds, ammunition and medicines. He went on to say that the Generalissimo had evinced sympathy but that nothing concrete had happened. He said that the Kuomintang had demanded that communist forces be incorporated into the national armies, but he said that he feared that this could not be accomplished so long as the National Government and the Kuomintang failed to give the people of China democracy. That had not been done, he said.

General Lin said that the Chinese communists are faced with an acute shortage of ammunition (bullets, as he put it in Chinese) and medicines, neither of which category is supplied by the Chinese National Government. He said that the Chinese communists have no

supplies of copper whatsoever. He added that their production of military equipment is limited to hand grenades and mines. He pointed out that in the absence of military supplies—which the Chinese communists had hitherto obtained chiefly from the Japanese—the Chinese communists could do little more than be quiescent. He asserted that if the Chinese communists were only supplied with arms and ammunition and medicines they would go on the offensive and strike hard blows at the Japanese throughout north China.

General Lin expressed his views of the Japanese in the following terms: The Japanese have withdrawn very few troops from north China since the start of the Pacific war. They now maintain eight or nine divisions in north China (not including Manchuria), of which about four are in Shansi. It is the definite policy of the Japanese to eliminate all Chinese resistance in the occupied areas, to drive all Chinese troops therefrom, to consolidate their political and economic position in those areas, to utilize the manpower and resources of these areas to assist them in gaining hegemony of all East Asia. General Lin went on to express the opinion that the Japanese would fail to attain these objectives: the Chinese people would never give their support to Japan and the Japanese would fail in their endeavors to sweep Chinese resistance from the so-called occupied areas. General Lin also asserted that, given a good opportunity, the Japanese would certainly endeavor to wrest Siberia from the U. S. S. R.

EVERETT F. DRUMRIGHT

893.00/14927 : Telegram

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

CHUNGKING, February 1, 1943—11 a. m.

[Received 1:25 p. m.]

176. Replying to your 137, January 25, midnight. Please refer to Embassy's telegrams 1005, September 5, 9 a. m.; 1070, September 21, noon; and 1486, December 12, 10 a. m., 7th and 10th paragraphs, and to its despatches 408, May 14;¹⁵ 468, June 18;¹⁶ 501, July 7; 515, July 14; 613, September 20 [10]; and 800, December 16,¹⁷ all 1942.

With regard to points numbered 1 and 2, there has been a clear and disturbing deterioration, as the Embassy had repeatedly reported, in the general economic situation in unoccupied China and in the condition of the Chinese armies due to undernourishment, disease and

¹⁵ *Foreign Relations*, 1942, China, pp. 232, 241, 260, and 197, respectively.

¹⁶ Not printed.

¹⁷ *Foreign Relations*, 1942, China, pp. 98, 206, 235, and 264, respectively.

inaction but it is unlikely and unreasonable that the Chinese Government under present circumstances would find in this state of affairs a pretext for initiating repressive measures that might lead to civil war.

With regard to point 3, the Embassy's information does not indicate that there has been any appreciable growth in the strength of the Communist army. There have been no large defections of national troops and individual defections have not materially affected the situation. It is understood that Communists now have more men than they can adequately arm and are encouraging soldiers to return to farms because of labour shortage. Embassy is informed that in order to avoid irritating the Kuomintang the Communists discourage defection of national troops or purchase of arms from them.

Although relations between the Communists and the Kuomintang are far from satisfactory, it is believed that the conclusion drawn is [*in*] the report that has reached the Department is not warranted.

In this connection particular attention is invited to my recent despatch number 800. Anti-communism continues to be cornerstone of Kuomintang policy but the leaders, notably the Generalissimo, consider it politic and practical to refrain from repressive action at this time. Liquidation of the Communists by the present Kuomintang leadership is a question of "when" rather than "whether". The time has not arrived. It may never arrive. Russian entrance into the war against Japan would make such a move inadvisable. Liberalization of Kuomintang leadership after peace under pressure from dissatisfied popular and official elements would render conflict improbable. While the war against Japan continues, civil war is not likely to occur. Conversations with informed Kuomintang and Communist leaders here, including Chou En-lai who is mentioned in the Department's telegram, confirm this opinion.

Hall of the National City Bank who recently travelled through Communist territory and stayed some time in Yen-an reports that morale there is good, that Communist forces have fair equipment of small arms but need mountain guns and that they are carrying on guerrilla warfare but are impatient of situation which prevents them from collaborating with national armies in attacking Japanese in force. He says that whereas commodities are limited, people seem to have a fair quantity of necessities including medicines. He observes that morale of national troops he saw in south Shensi was not so good, that economic conditions were disturbing, and that corruption among military and civil officials was relatively common compared with apparent absence thereof in Yen-an. Incidentally he states that he was well and courteously treated by Chinese throughout his long journey.

In conclusion probably the most encouraging comment that can be made regarding Kuomintang-Communist relations is that they are now much the same as they were when the Embassy described them at some length in its despatch number 95 of August 20, 1941.¹⁹

GAUSS

893.00/14959

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton)* ²⁰

[WASHINGTON,] February 5, 1943.

In view of the rumors and reports of one type and another which crop up from time to time in regard to relations between the Chinese Government and the Chinese "Communists", Mr. Hornbeck and I call your special attention to the attached confidential interchange of telegrams of January 25, midnight, and February 1, 11 a. m., between the Department and our Embassy at Chungking.

M[AXWELL] M. H[AMILTON]

893.00/14970

Memorandum Prepared in the Division of Far Eastern Affairs ²¹

WASHINGTON, February 11, 1943.

KUOMINTANG-COMMUNIST SITUATION

The Embassy at Chungking in its recent analysis of Kuomintang-Communist relations (telegram 176, February 1, 11 a.m.) stated that the most encouraging comment that can be made is that Kuomintang-Communist relations are now much the same as when the Embassy described them in its despatch no. 95, August 20, 1941.¹⁹ In that despatch the Embassy said, *inter alia*:

" . . . it becomes reasonably clear that there can be little hope of a real united front, that is, a united front grounded upon sincere political and military cooperation. Even though divergent social conceptions were insufficient to keep the parties apart, strong personal prejudice on the part of many of the Kuomintang leaders would effectively prevent real cooperation. Endeavors to bridge the gap between

¹⁹ *Foreign Relations*, 1941, vol. v, p. 533.

²⁰ Addressed to each of the Assistant Secretaries of State (Berle, Long, Acheson, Shaw), each of the Advisers on Political Relations (Dunn, Duggan, Murray), the Acting Chief of the Division of European Affairs (Atherton), the Chief of the Division of Near Eastern Affairs (Alling), and the Chief of the Division of the American Republics (Bonsal).

²¹ Drafted by the Third Secretary of Embassy in China (Service), temporarily in the United States, and the Assistant Chief of the Division of Far Eastern Affairs (Smyth); initialed by the Chief of the Division (Hamilton).

the older and controlling elements in the Kuomintang and the communist leaders would, it is felt, prove as ineffectual as they were unwelcome. On the other hand, prevention of an open rupture is considered to be quite feasible so long as the common front against Japan is viewed as a necessity and outside assistance in maintaining that front is desired.

"Once that necessity ceased to exist, the Kuomintang-Communist feud may be expected to flare up again, probably in the form of hostilities. The foregoing statement assumes a continuation of the present Kuomintang leadership. There is a possibility that the more liberal younger element in the Kuomintang may become sufficiently influential to effect a bridging of the gap—might even through the adoption of needed social and agrarian reforms cut the ground from under the communists and effect a relative degree of political unity in the country. This is in no wise an early prospect but it is worth bearing in mind when taking a long view of the situation."

In its despatch no. 800 of December 16, 1942,²³ which dealt with Kuomintang-Communist relations, the Embassy made the following comments:

". . . 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."

The Embassy expressed the opinion in its recent analysis of Kuomintang-Communist relations (Chungking's telegram no. 176 of February 1, 1943) that the elimination of the Communists by the present leadership of the Kuomintang is a question of "when" rather than "whether". The Embassy adds, however, that the time has not arrived and may never arrive because Russian entrance into the war against Japan would make such a move inadvisable and because pressure from dissatisfied popular and official elements may enforce a liberalization of Kuomintang leadership after the peace.

The chief hope for the delay or avoidance of this conflict is the personal leadership of the Generalissimo, who, as the Ambassador has stated, foresees the harmful effect on foreign opinion which civil war would have and who is still able to restrain the military and more conservative party elements. This view is also held by the Communists who do not expect an immediate worsening of the present condition of armed truce in north and sporadic small-scale encounters in central China.

²³ *Foreign Relations, 1942, China, p. 264.*

The opinion that civil war is likely to be delayed would appear to be justified. There are, however, several factors which might possibly bring about Kuomintang-Communist hostilities before the end of the war with Japan. One of these would be the removal of the Generalissimo, which might permit extremist elements to gain control. Another might be Kuomintang fear of growing Communist power, especially among the people of the guerrilla zones in north China. A third might be a fear of possible Russian support of the Communists after the war. It is probably true that Russia does not desire a civil war in China at this time and has therefore given its support only to the Central Government. The Kuomintang may fear that this will not be the case after the war, especially if Russia has had a part in defeating Japan, and the liberal elements in China are strengthened thereby.

The present lack of unity in China and immobilization of substantial Kuomintang and Communist forces to offset each other is of importance during the present period because it hinders China's war effort.

Assuming that the present armed truce will continue until the end of the war, there will still remain to be solved the fundamental question of internal peace and unity. It is to be hoped that the Generalissimo, Dr. T. V. Soong²⁴ and other liberal elements may be in a position strong enough to bring about the reforms which can be the basis for lasting peace. However, there is still little evidence of a young, more liberal leadership rising in the Kuomintang itself. It is also possible that the Communists will be in a stronger position than ever before by reason of their probable control of most of north China. There will no longer be the common fear of an external attack. And the economic exhaustion of China and the deterioration of Chinese armies mentioned by Ambassador Gauss in his telegram referred to above will be factors which may contribute to civil war and which may make a Central Government victory in any such civil war difficult.

The foregoing is a brief summary of a situation which has serious implications affecting American interests both in the present war effort and in future efforts to assist post-war rehabilitation. It is a situation which merits careful study and the consideration of any action which might appropriately be taken to encourage and further Chinese unity. One possible course of action might be the sending of American officials to visit the Communist areas. This would have the double advantage of informing the Chinese of our interest in the whole question and of providing us with additional information regarding various phases of the problem. However, it is believed that

²⁴ Chinese Minister for Foreign Affairs.

the Chinese Government authorities would resent our sending representatives to Communist areas, without obtaining prior approval of the Government. And under present circumstances, it is to be doubted whether the Chinese Government would welcome a request for such approval.

893.48/4008

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

No. 933

CHUNGKING, February 15, 1943.

[Received March 10.]

SIR: Referring to my despatch no. 721 of November 13, 1942,²⁶ concerning famine conditions in Honan, I have the honor to enclose for the Department's information a translation of an article from the *Ta Kung Pao* (influential independent Chinese daily) of February 1, 1943, entitled "A True Description of Famine Conditions in Honan" and a translation of an editorial from the February 2 edition of that newspaper entitled "Look at Chungking and Think of Honan."²⁷

The first of these two articles, written by the Honan correspondent of the *Ta Kung Pao*, describes the widespread suffering of the people in 100 famine-stricken hsien in Honan and the lack of thorough measures of relief, attacks the government for its efforts to carry out its program of collection of taxes in kind and the compulsory purchases of foodstuffs in the face of the famine conditions and appeals for immediate relief for the estimated thirty million famine victims. The editorial calls attention to the circumstance that although the government is reported to have appropriated adequate relief funds there are still millions of refugees who have not yet received such relief and describes as "unendurable" the continued collection of land taxes from the farmers who are threatened with arrest and are forced to sell their land and even the members of their families in order to escape starvation or in order to pay such taxes. A contrast is drawn between conditions in Honan and the circumstances under which people live in Chungking. In connection with the latter point, the editorial goes on to point out the ineffectiveness of the recently applied price control measures, stating that it would require thousands of prisons to hold all the violators of the measures. It concludes with an appeal for relief funds for the Honan famine victims.

The publication of this editorial by the *Ta Kung Pao* resulted in a three-day suspension of the newspaper by the Government and foreign press correspondents who attempted to report this matter to their

²⁶ *Foreign Relations*, 1942, China, p. 253.

²⁷ Neither printed.

home offices were not allowed to forward their despatches. A Central News Agency (Government-controlled) correspondent states confidentially that conditions in Honan are even worse than the *Ta Kung Pao* article described and that many Chinese approved the publication of the article. One result has been a campaign conducted by the *Ta Kung Pao* for famine relief in Honan, and the publicity given to conditions in that province has evidently forced the government to take more positive measures to relieve the serious situation.

In this connection, there is also transmitted herewith a copy of a China Information Committee Bulletin (Ministry of Information release) of February 12.²⁸ reporting the appropriation by the Government of CN\$100,000,000 for the relief of famine sufferers in Honan and the efforts being made by several public organizations in Chungking to raise additional funds for relief work in Honan.

Respectfully yours,

C. E. GAUSS

893.42/361

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

No. 951

CHUNGKING, February 23, 1943.

[Received March 20.]

SIR: I have the honor to transmit herewith for the information of the Department copy of Despatch No. 6, February 17, 1943,²⁸ from Second Secretary Everett F. Drumright on temporary detail to Chengtu. The despatch reports upon the views of General Pai Chung-hsi, Vice Chief of the Chinese General Staff, as expressed in a speech at the Chengtu branch of the Central Military Academy. General Pai's remarks apparently reflect an increasing dissatisfaction on the part of the Government with the present unmilitary attitude of college and middle school students, their lack of patriotism and the absence of enthusiasm for the war effort.

Respectfully yours,

C. E. GAUSS

893.00/14973

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

No. 962

CHUNGKING, February 26, 1943.

[Received April 14.]

SIR: I have the honor to refer to the Embassy's telegram no. 1486 of December 12²⁹ and despatches no. 773, December 3, no. 785, December

²⁸ Not printed.

²⁹ *Foreign Relations*, 1942, China, p. 260.

10,³⁰ and no. 800, December 16, 1942,³¹ and to enclose a translation of the Resolution on Fiscal Policy passed by the Central Executive Committee of the Kuomintang at its 10th session at Chungking November last.³²

It will be noted that the resolution contains four recommendations for fiscal policy and details eight measures for putting the recommendations into effect. The first recommendation is for a balance of receipts and expenditures. The deficit is to be covered by flotation of loans but in order to prevent inflation, a loan quota is recommended. Secondly, revision of the tax system to increase revenue should not overlook the desirability of simplification, the difficulties of the people, and the need for war-time and post-war stability. Thirdly, state-operated enterprises and state-owned property should be managed in a manner to benefit both national finance and the economic life of the people. Fourthly, financial self-sufficiency of the district governments should be an aim of fiscal policy.

Y. C. Koo, Vice Minister of Finance, in conversation with the Counselor of Embassy,³³ explained that, whereas the Central Executive Committee had shown considerable interest in the financial situation and in methods for improvement, it had not been adversely critical of the Ministry of Finance's past performance. (The Embassy has heard otherwise from other sources.) Dr. Koo said that every effort would be made to put into effect the recommendations of the C. E. C.

It is significant that, in suggesting a quota on loans, the C. E. C. goes definitely on record as desiring a limitation of expenditures. The thirty-six billion dollar budget for 1943 does not reflect an intention to economize, however, and it is doubtful that expenditures for the year will be kept below forty billion, most of which will be obtained through issuance of currency.

The recommendation on taxation contains a warning note against adding to the difficulties of the people. It does not mention the fact that taxation on high bracket incomes and speculative profits is inadequately and ineffectually applied and administered. Dr. Koo states that the Ministry of Finance will improve and expand its direct tax system. (See Embassy's despatch no. 807 of December 21, 1942.³⁴)

It is interesting to note in the third recommendation the phrase "Now that planned economy is being introduced into China . . ." Chinese businessmen and some officials are concerned over the tendency toward state ownership of productive enterprises, toward the creation

³⁰ Neither printed.

³¹ *Foreign Relations, 1942, China*, p. 264.

³² Enclosure not printed.

³³ John Carter Vincent.

³⁴ Not printed.

of state-owned companies in control of exports, and the establishment of state monopolies of commodities such as matches, salt, tobacco, etc. There are those who fear that after the war the government will be in control of a large portion of external and internal trade and of national production.

The policy of promoting fiscal autonomy for the district governments is two-fold in purpose. The Government believes that a sound and, in so far as practical, self-sufficient system of district finance will promote financial stability. It also believes that in creating autonomous fiscal units in the districts depending directly from the national Ministry of Finance, rather than from the provincial governments, a long step will have been taken in breaking up provincialism which is viewed as one of the most potent disintegrative forces in the country. The provinces have in the past been the most fertile field for the militarism of non-conformist and revolting warlords. While endeavoring to build up financial autonomy in the districts, the central government has taken steps during recent years to destroy financial autonomy in the provinces primarily through taking over taxes formerly collected by the provinces (notably the land tax) and making grants to the provinces from the national treasury.

Dr. Koo explained that direct taxes on income, transactions, inheritance, etc., constitute one of the principal forms of revenue collected on a district basis, but in accordance with national law and for remittance to the national treasury. However, the Ministry of Finance remits one-third of these taxes back to the districts; not necessarily to the district from which they are derived but in accordance with a schedule of relative need prepared by the provincial authorities. In this way poor districts may benefit at the expense of the richer districts.

The program of fiscal autonomy for the districts, directly controlled by the national government, operating alongside the program for establishment of district self government, and displacing the former system of fiscal and, in a large measure, political autonomy in the provinces is one of the most interesting current developments in China. Hailed at times as a move toward democratic forms, it is more realistically described as a preventive against the resurgence of disintegrative provincial forces after the conclusion of the war.

The National (Kuomintang) Government is intent upon retaining its authority in the country and it proceeds on the thesis that the best means of doing so is to maintain unity and that the best way to maintain unity is firmly to establish its financial control. If, hand in hand with this program, it has the foresight to adopt an enlightened policy which will benefit and gain the support of the masses of farmers and workers it has a good chance of achieving its objectives.

There is much talk in the press and elsewhere of a democratic China after the war. However, a highly centralized and authoritarian government such as that of the Kuomintang is not uncongenial to the Chinese people provided it rules for the people in sufficient degree to prevent widespread feeling of discontent and injustice. The Kuomintang should take more to heart than it has in the past the words of the Book of History (Confucius): "Heaven sees as the people see; heaven hears as the people hear". Therein is the democracy of China; and in the innate individualism of the people; not in the ballot and parliaments. If the Kuomintang can adjust its rule to the Confucian precept it should be able to maintain itself against the disintegrative forces of provincialism and regionalism and it need retain little fear of its *bête noire*, Communism.³⁵

Respectfully yours,

C. E. GAUSS

893.00/14960: Telegram

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

CHUNGKING, March 5, 1943—noon.

[Received March 5—11:35 a. m.]

320. It has been announced here that Executive Yuan has named Dr. K. C. Wu, political Vice Minister of Foreign Affairs, to be Acting Foreign Minister during the absence of Soong. Wu tells me confidentially, however, that there will be no real change in his status and that he has to refer all except routine matters for the instructions of the Generalissimo.

GAUSS

³⁵ In a memorandum dated April 12 Troy L. Perkins of the Division of Far Eastern Affairs wrote by way of comment on this despatch: "China's fiscal policy does not appear adequate to overcome or even to relieve the present serious economic situation. The absence of effective proposals for siphoning off war profits, and the indicated large increase in governmental expenditures—without a comparable increase in production—do not augur well for the control of inflation. The present situation in China calls for more stringent measures. The C. E. C. proposals recall the steps already taken in China for price control, which have been (1) too tentative and too late, and then (2) too rigid (fixed prices instead of controlled prices), and (3) unaccompanied by rationing, the necessary concomitant of price ceilings."

893.00/14980

*Memorandum of Conversation, by the Second Secretary of Embassy
in China (Rice), Temporarily in the United States*

[WASHINGTON,] March 11, 1943.

Participants: Dr. Shuhsi Hsü of the Chinese Ministry of Foreign
Affairs
Paul Chu of China Defense Supplies and
Mr. Edward E. Rice

Mr. Rice was introduced to Dr. Hsü at a small social function during the course of which there occurred the conversation outlined below.

Dr. Hsü stated that he had been given his post of Chief of the Russian Section of the Ministry of Foreign Affairs because he has long been an advocate of close Sino-Soviet relations. However, he voiced the opinion that the communists in China follow the party line determined in Russia, that the existence in China of an administration not controlled by the Central Government should not be tolerated and that for this reason the communist administration in the northwest must and will be liquidated, whatever the good qualities of the administration or its leaders. Mr. Rice asked him how that would be accomplished. He replied that it would be most sensible to accomplish this through negotiation and agreement, although he was not overly sanguine that both sides would show sufficient wisdom. He said that the alternative is military liquidation of the communists, that this should prove comparatively easy and that while he anticipated no decisive action during the current war he did expect the matter to be settled shortly after the termination of Sino-Japanese hostilities.

893.00/14970 : Telegram

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

WASHINGTON, March 15, 1943—8 p. m.

350. 1. Bern reports that the following information was contained in the February 5 issue of the *Berliner Boersenzeitung*:

According to reports from Nanking, Chungking has declared null and void all secret agreements concluded between former Governor of Sinkiang and Soviet Russia between 1931 and 1939 granting the Soviets economic concessions in return for Soviet military aid in suppressing Moslem revolts. The paper further states that a few days later President Roosevelt opened consulate at Sinkiang and that obvi-

ously Chiang Kai-shek would not have dared to affront Moscow without sufficient Anglo-American backing.

2. While the Department does not of course regard seriously propaganda emanating from Axis or Axis puppet sources, the foregoing report is communicated to the Embassy as of possible interest and for its comment in connection with the Embassy's following of developments in and relating to Sinkiang.

HULL

893.00/14989

Memorandum of Conversation, by the Second Secretary of Embassy in China (Davies) ³⁶

[CHUNGKING,] March 16, 1943.

In a conversation with Chou En-lai, Communist representative in Chungking, I cautiously explored the possibility of our drawing on Communist intelligence regarding enemy activities. He responded in a seemingly cooperative spirit, but pointed out that for really effective liaison we should have a small group of officers stationed in their territory. Chou's supply of incoming information from North China is obviously limited. But they had at their command at Yen-an and in northern Shansi a steady flow of intelligence regarding the Japanese, particularly with regard to their operations in North China, Manchuria, the Yangtze valley and, until recently, Hainan.

Chou reiterated his invitation of last summer for a small group of American officers to set up observers' posts in Shensi and Shansi. He pointed out that if we plan to assist in driving the Japanese from North China, it is now not too early to begin investigating sites for possible airfields in Shensi, Shansi, Hopei and Shantung and to begin studying at first hand conditions in that area. He seemed to be particularly anxious that an air officer investigate airfield possibilities in Shensi-Shansi. It would be advisable, according to Chou, to indicate to the Central Government at the outset that the observer stations are considered permanent stations for the duration. The personnel could then be rotated without misunderstanding over the principle of American officers proceeding to that area for air and ground intelligence work in cooperation with the Chinese authorities in North China.

His organization, Chou said, has received radio reports from its agents on Hainan Island. But the last remaining radio in possession of the Communists on Hainan had apparently ceased to function, for they receive no more direct messages. He stated that the Communists are the strongest force on the island resisting the Japanese.

³⁶ Addressed to General Stilwell; copy transmitted to the Department by the Chargé in China (Vincent) in his covering despatch No. 1020, March 23; received April 16.

I then asked him a blunt question, one completely out of my professional character. I said that if we wished to extend lend-lease aid impartially to the Chinese Army, irrespective of political complexion and including those who seemed to be the most anxious to fight the common enemy, would we be able to do so. He shook his head, replying that the prejudice against and suspicion of the Eighteenth Group Army was too strong. He then added that after the American Navy has further whittled down Japanese naval strength and the Chinese Army settles down to the truly formidable task of trying to drive the Japanese Army from China, the Generalissimo's attitude toward the Communists may undergo a change because General Chiang will discover that the Japanese are much stronger than he now realizes. It is bad to over-estimate the Japanese, Chou commented, it is quite as bad to under-estimate them. The Generalissimo is guilty of the latter error, he said. And when General Chiang discovers that the Japanese are not going to be easily rolled back into the sea, then he may feel that he will have to give more consideration to the Communists.

Chou exhibited anxiety over what the Japanese might do in the face of the movement of Chinese troops to Yunnan, the inflow of lend-lease arms by air and the Yunnan training project. He suggested that the Japanese must be suffering from a very strong temptation to attack Yunnan before Chinese-American strength in that area grows much further. If the Japanese occupy Yunnan, he observed, they have gone a long way toward strangulating Free China. And a Japanese invasion of that province poses no great difficulties for the enemy.

He corroborated the reports of bad feeling between Chen Cheng³⁷ and Ho Ying-chin.³⁸ He also stated that Chen Cheng was loath to assume the Yunnan command. He had accepted the command only after considerable pressure from the Generalissimo and had reportedly said just before his departure that he was going to stay only a few days at Kunming after which he intended to return.

In discussing General Sun of the 38th Division he remarked that it was a pity that Sun would probably not be eligible to become an Army commander. Explanation: Sun is not one of the Whampoa clique.

I asked him if he had seen T. V. Soong during the Foreign Minister's visit to Chungking. He had. Soong had displayed to him a fair attitude toward the Communists. But Chou had heard that to others, Soong had been critical of the Communists. Chou was not sure whom the Foreign Minister was trying to deceive. He is not sure of Soong's position beyond recognizing that Soong is personally exceedingly ambitious. . . .

³⁷ Commanding Chinese troops in Yunnan.

³⁸ Chinese War Minister and Chief of Staff.

Chou feels that the Foreign Minister is now biding his time. He remained in his home most of the time in Chungking. He did not interfere in economic matters. The Generalissimo would not permit him to do so because, as Chou remarked, General Chiang knows that H. H. Kung will do as he is told whereas Soong will not, he is too independent. As for foreign affairs, Soong realizes that the formulation of policy rests solely with the Generalissimo, the Foreign Minister's function being simply to report. That Soong did, following which he retired to his residence where he spent most of his time attending to his own private affairs, including the Bank of China. He made new investments, conspicuously in Kweichow Province.

The Foreign Minister's only major political accomplishment, according to Chou, was to institute a temporary housecleaning in the Chinese Red Cross. And this was achieved only after two strained sessions with the Generalissimo and a rather dramatic visit to a meeting of the Executive Yuan. C. T. Wang, who has apparently been mishandling the Red Cross, was removed on the grounds that he was "too elderly and needed a rest" and was replaced by Dr. Chiang Monlin, President of Peking National University.

I asked how Soong's relations with the Kwangsi clique were. Chou said that they were good but that on this last visit the Foreign Minister had apparently studiously avoided having much contact with Pai Chung-hsi.

Finally, I asked Chou if he regarded Soong as a progressive force in Chinese politics. He hesitated and then said that there were two sides to Soong's nature. He intimated that Soong might be considered modern in his outlook and methods, but not because of that necessarily progressive.

Premier Tojo's visit to Nanking was viewed by Chou as a demonstration designed to give the Wang Ching-wei regime face and bolster its morale. He suggested that the visit may also have encompassed negotiations for the further use of Chinese manpower, both industrially (as in the reported transfer of Shanghai skilled labor to Manchuria) and militarily through increased conscription of puppet troops.

JOHN DAVIES

893.408/1

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

No. 1001

CHUNGKING, March 17, 1943.

[Received April 16.]

SIR: I have the honor to enclose a copy of a despatch³⁹ submitted by Mr. Drumright, Secretary of the Embassy on detail at Chengtu,

³⁹ Not printed.

in regard to a meeting of Szechuan delegates of the San Min Chu I (People's Three Principles) Youth Corps.

In the third paragraph of his despatch, Mr. Drumright correctly indicates the significance of the Youth Corps: "It is generally held that the purpose of the San Min Chu I Youth Corps is to direct the political thought of Chinese youth along orthodox channels and specifically to shield them from the communist doctrines which were attracting Chinese youth in large numbers some four or five years ago." Incidentally, a great deal of the so-called attraction to communist doctrines was and is more a result of dissatisfaction with Kuomintang policies than a positive act of political or social faith. Under the guise of Sun Yat-sen idealism and through an appeal to nationalistic patriotism, an attempt is made to gain the adherence of Youth Corps members to the present Kuomintang political concept and policy of one-party government.

With reference to the statement that "the activities of the Youth Corps are being especially pushed in centers of learning", it is a generally understood fact that the more ardent members of the Corps act as class-room informers for the Ministry of Education's special intelligence service, reporting on professors as well as fellow students. It is encouraging to note Mr. Drumright's observation that in Chengtu "there is little spontaneous enthusiasm among Chinese youth of the student type for the Youth Corps." He adds significantly that "the majority who have joined have done so because of political expediency . . ." ⁴⁰

Respectfully yours,

JOHN CARTER VINCENT

893.00/14966 : Telegram

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

CHUNGKING, March 19, 1943—9 a. m.

[Received 11:25 a. m.]

398. Reference Department's 350, March 15, 8 p. m. We have heard nothing of action mentioned in Bern report and do not believe there is any truth in it. The Chinese, as several officials have intimated to me, would very much like to obtain control of the economic concessions granted by Sinkiang to Russia and also to arrange for withdrawal of Russian troops from Sinkiang but they have not been able to do so. Shall make discreet inquiries to ascertain whether there has been any recent change in the situation.

⁴⁰ For Departmental comment, see memorandum by Mr. Troy L. Perkins of the Division of Far Eastern Affairs, dated April 24, p. 225.

I have directed Clubb⁴¹ to proceed from Lanchow to Tihua as soon as practicable.⁴² Yesterday, subsequent to my having reached this decision, Director of American Department of Foreign Office made the curious unofficial (but nonetheless serious) request that inasmuch as British were opening consular office in Tihua early April we endeavor have Clubb open our Consulate same time as British or in advance if possible.

VINCENT

893.00/14966: Telegram

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

WASHINGTON, March 25, 1943—4 p. m.

400. Embassy's 398, March 19, 9 a. m. Department would appreciate air mail report in regard to economic concessions granted by Sinkiang to Russia⁴³ mentioned in first paragraph of reference telegram.

HULL

761.93/1718

*Memorandum of Conversation, by the Minister Counselor of Embassy in the Soviet Union (Dooman)*⁴⁴

KUIBYSHEV, March 25, 1943.

I called on the Chinese Ambassador⁴⁵ yesterday to pay my respects on his appointment and assumption of his duties. We had an extended conversation, which was continued today when he returned my call, and for purposes of convenience the two conversations are combined in this memorandum as follows:

The Ambassador informed me that he had been for some time Acting Foreign Minister, for the reason that Mr. Soong, the actual Foreign Minister, had spent a great deal of his time abroad, mostly in the United States. He referred to the fact that I was shortly leaving the Soviet Union to return to the Department, and he said that he wished to speak quite frankly to me in the hope that I would convey his observations to my Government.

⁴¹ Oliver Edmund Clubb, Second Secretary of Embassy in China and Consul at Kunming.

⁴² For correspondence regarding the opening of additional posts in China, see pp. 727 ff.

⁴³ See telegram No. 534, April 13, 5 p. m., from the Chargé in China, p. 222.

⁴⁴ Copy transmitted to the Department by the Ambassador in the Soviet Union in his despatch No. 274, March 25; received April 24.

⁴⁵ Foo Ping-sheung.

[Here follows report of remarks on Soviet agreement as to supply route through the Soviet Union to China as reported in telegram No. 183, March 19, 5 p. m., page 600.]

The Ambassador said that he wished now to tell me quite frankly that the Chinese Government was somewhat concerned over the extent of the help which China might expect after the war toward coping with the enormous task of reconstruction. It has been obvious that China would be unable with its own resources after the war to rehabilitate itself. He wondered whether it would be possible for China to deal directly with private American interests with a view to securing necessary funds for rehabilitation and whether such funds could be expected without there being imposed on China the incubus of a banking consortium such as that which was set up after the last war.⁴⁶ I replied that, without underestimating the seriousness of the task of rehabilitating China, it was my opinion that the problem was relatively more simple in China, with its predominantly agricultural economy, than in the case of highly industrialized nations which had been overrun and devastated by the war, such as Belgium. I further expressed the opinion that the days of the free exportation of capital from the United States had passed, and that I expected that there would be after the war a rigid supervision by the Government of all American funds desired for investment or other use in foreign countries. The Chinese Ambassador replied that he was greatly relieved by the opinion which I had expressed, but he wondered whether that opinion was generally held. I replied smilingly that I had a great many friends in New York who had expressed horror over the possibility of governmental control over the movement of capital, whether internally or externally, but that nevertheless I felt that I had no more than indicated the general trend of opinion in the United States.

The conversation then turned to the question whether the cooperation of the Soviet Union with the other members of the United Nations after the war could be confidently expected. The Ambassador said apropos that he wished to inform me in strict secrecy of certain apprehensions which were entertained by the Chinese Government with regard to possible future developments in the Far East. Assuming that the Soviet Union would join the other United Nations, after the defeat of Germany, in the operations looking toward the defeat of Japan—and that was merely an assumption—one would have to envisage the presence of considerable numbers of Soviet troops not only in Sinkiang and Outer Mongolia but also in Manchuria. It would have to be expected that these Soviet forces would be disposed to support the Chinese Communist elements in their op-

⁴⁶ For China Consortium Agreement, signed October 15, 1920, see *Foreign Relations*, 1920, vol. I, p. 576.

position to the Central Government of China, and he was frank to admit that a combination of that character would be extremely difficult for the Chinese Government to eliminate from the areas which he had mentioned. I expressed surprise that he had included Manchuria in that area, and asked whether it was the view of the Chinese Government that the aspirations of the Czarist regime in Manchuria had been inherited by the Soviet Government. The Ambassador replied that without attempting to answer my question directly he need only observe that the Soviet army in Siberia would undoubtedly succeed in making its way into Manchuria sooner than the Chinese army could work its way toward Manchuria from the south. Once the Soviet forces occupied Manchuria he thought it would be extremely difficult to move them out. I recalled that in a recent conversation with Mr. Liu, the Counselor of the Chinese Embassy here, I had urged the importance to China of retaining such undeveloped areas as Sinkiang, Mongolia, and Manchuria for the reason that as the standard of living of the Chinese people rose these areas would have to be counted on to produce foodstuffs and other necessities which a higher standard of living required. The Ambassador said that that was a point which had not failed to receive considerable attention on the part of the Chinese Government. The position in Sinkiang had of late been considerably improved by the recent adherence to the Central Government of the Sinkiang war lord⁴⁷ (whose name I did not catch). He said that this General had recently completely changed his colors and was strongly opposed to the further incursion into his area of Soviet influence. It appears that he had recently imprisoned several hundred Chinese who had been collaborating with the Soviet Union. Although the hold of the Russians in Outer Mongolia was very strong, the Chinese Government had not yet abandoned hope of re-extending its influence over that area. Returning to the problem of Sinkiang, the Chinese Ambassador said that he had recently remarked to Mr. Vincent, Counselor of the American Embassy at Chungking, that the Chinese Government would have no objections whatever to the establishment of an American Consulate at Urumchi. He said that he did not know whether Mr. Vincent had acted on this suggestion, but hoped that when I returned to Washington I would inform the Department of the eagerness of the Chinese Government to see the American Government maintain representatives in the capital of Sinkiang Province.

In connection with the question of Chinese interests in western China, the Ambassador made further statements of an extremely confidential nature which he desired that I bring to the attention of the Secretary and of Mr. Hornbeck.

⁴⁷ Gen. Sheng Shih-tsai.

893.48/4024

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

No. 1035

CHUNGKING, March 30, 1943.

[Received April 21.]

SIR: I have the honor to refer to the Embassy's despatch no. 933, February 15, 1943, concerning famine conditions in Honan, and to enclose herewith copy of China Information Daily Bulletin (Ministry of Information release) of March 17, 1943,⁴⁸ noting the amounts which are to be spent for relief in Honan.

The Bulletin states that over CNC \$200,000,000 (U. S. \$10,000,000) has been "set aside" and that some CNC \$87,000,000 (U. S. \$4,400,000) has actually been "appropriated" or "advanced" to the famine sufferers. Practically all of the funds involved are for various forms of indirect relief—road building, land reclamation, irrigation projects, and for re-colonization plans; CNC \$400,000,000, or almost half of the total thus far remitted, is intended for farm loans for the purchase of rice at government controlled prices.

There is no mention of any movement whatsoever of actual food or relief commodities into the region, and it is not specified whether there really is a supply of the rice which is to be obtained at the fixed prices. In view of the distance of Honan (the northern portion of which, above the Yellow River, is largely occupied by the Japanese) and of the lateness of the season, it is doubted that the present large transfers of credits, together with their attendant schemes of distribution, will do a great deal to alleviate the sufferings of the thousands who have been starving in that area. However it is indicated that the National Government is interested in displaying a continued concern for their plight.

Respectfully yours,

JOHN CARTER VINCENT

893.00/15003

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

No. 1063

CHUNGKING, April 8, 1943.

[Received May 6.]

SIR: I have the honor to enclose for the Department's information a copy of a despatch⁴⁸ concerning the influence of Ko Lao Hui in Szechuan prepared by Mr. Drumright, Secretary of Embassy on detail at Chengtu.

⁴⁸ Not printed.

The despatch indicates that the Ko Lao Hui, which might be translated as "Elder Brothers' Society," remains an extremely powerful and influential secret society in Szechuan. It is reported to have some connection with Hung Pang and the Ch'ing Pang which are most active in central and eastern China. The Ko Lao Hui is said by Chinese to have a large membership in Szechuan with approximately one-half of the population of Chengtu associated in some capacity with the Society. Control is exercised not by a central organ but by the leaders in each local unit. It is a general axiom that no activity in any area can be undertaken by government organs without the approval of the local unit of the Society and its elders, known in Chinese as "Ta Yeh". It is significant that the Society is viewed by some Chinese as a bulwark against Communism and that the Kuomintang has endeavored with some success to utilize the Society for its purposes although it has not attempted to absorb or wholly control the Ko Lao Hui. The Embassy has been informed that the Szechuan military leaders are active members of this Society and that Chinese secret service organs, especially that of the notorious Tai Li, are honeycombed with Ko Lao Hui members. Mr. Drumright concludes with the suggestion that an evaluation of the Chinese scene should not overlook the influence and power of Chinese secret societies over the life of the nation.

Respectfully yours,

JOHN CARTER VINCENT

893.00/14983 : Telegram

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

CHUNGKING, April 13, 1943—5 p. m.

[Received 8:10 p. m.]

354 [534]. Department's 400, March 25, 4 p. m. Minister of Economic Affairs ⁵⁰ has informed CP [*me?*] that the major Soviet interest in Sinkiang is the oil refinery west of Tihwa. It is not properly described as a "concession". It is a company with Sinkiang Chinese at the head and with Russian technical advisers. However, Russians own the refining machinery and to all intents and purposes control the company. Chinese Government is negotiating with the Soviet authorities for agreement to operate refinery cooperatively. Soviets also have interests in an agricultural development organization which Dr. Wong tells me strangely enough maintains an airplane. The Soviets operate an airline from Alma Ata to Hami in which it is un-

⁵⁰ Wong Wen-hao.

derstood the Sinkiang authorities have nominal half interest. Soviet trucks cross Sinkiang transporting materials to China and returning with strategic materials to Alma Ata. Dr. Wong has unconfirmed report that Russians have recently become interested in the exploitation of wolfram deposits in that portion of Ili lying in Sinkiang. Dr. Wong appeared hopeful that the Chinese Government would be able to work out with Soviet authorities arrangements for economic development in Sinkiang on an amicably cooperative basis which gave due respect to Chinese sovereignty.

Clubb in Tihwa has been requested to prepare an airmail report in response to Department's reference telegram. With regard to Sinkiang oil refinery, Department may wish to refer to Embassy's despatch number 668, October 8, 1942.⁵¹

VINCENT

898.00/15004

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

No. 1076

CHUNGKING, April 14, 1943.

[Received May 6.]

SIR: I have the honor to enclose a copy of a report⁵¹ on Sinkiang province contained in the China Information Committee's Daily Bulletin no. 613. The Embassy has at present no means of checking on the accuracy of the statements made by Mr. Liang Han-chao but has forwarded a copy of the report to Mr. Clubb, Consul at Tihwa, for comment.

With regard to the final paragraph of the report in which Mr. Liang states that there remained in Sinkiang about 300 Russians of the Soviet Union who served as instructors in the Chinese army, advisors in animal husbandry and in other agricultural and economic enterprises, an informed official of the Chinese Government told me some days ago that Mr. Liang's statement could not be taken as indication that the 3,000 or more Soviet soldiers, nominally under the command of General Sheng Shih-tsai, had been withdrawn from the province. Those troops are concentrated largely at Hami, and the Chinese Government has no recent information which would indicate that they have been withdrawn.

Respectfully yours,

JOHN CARTER VINCENT

⁵¹ Not printed.

893.00/15006

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

No. 1079

CHUNGKING, April 14, 1943.

[Received May 6.]

SIR: I have the honor to enclose a copy of despatch no. 66 of April 9, 1943, from the American Consul at Kunming.⁵³ While there is some doubt in official circles in Chungking whether General Lung Yun will be replaced as Chairman of the Yunnan Provincial Government, there is no questioning the fact that National Government influence, in political as well as military affairs, is now controlling in Yunnan. The actual power in the province has passed into the hands of General Ch'en Ch'eng, supreme military commander in the area and long-time close associate of Generalissimo Chiang. From the standpoint of unity in China and prosecution of the war this is a favorable development. The transition has been gradual and peaceful and the rumored resignation of Lung Yun, if it becomes effective, will cause no serious trouble. I am informed that the National Government does not intend to interfere in local administrative matters except in so far as immediate political and military needs require.

Respectfully yours,

JOHN CARTER VINCENT

893.48/4042

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

No. 1110

CHUNGKING, April 23, 1943.

[Received May 19.]

SIR: I have the honor to refer to the Embassy's despatch no. 1082 of April 15, 1943⁵³ concerning the Honan famine and especially to the statement therein that it was believed that some belated action would be occasioned by the submission to the Generalissimo of the personal report of T. H. White⁵⁴ and Harrison Forman⁵⁵ and by the otherwise increasing publicity being given to the conditions in that province. There are now appearing in the press, almost daily, notices of many campaigns to raise funds for the famine sufferers. There have also begun to appear statements as to the actual arrival in Honan of certain quantities of food-stuffs, although the quantities are as yet inconsiderable.

⁵³ Not printed.⁵⁴ *Time* correspondent in China.⁵⁵ An American correspondent for British newspapers.

The following from recent Central News despatches, indicate the extent of the relief measures which are being carried out:

On April 10th it was reported from Chungking that around 555,000 sacks of wheat had been sent to the famine affected regions from Shensi province, "under the instructions of the Central Government". From two military districts in Shensi the army authorities had released from their granaries 110,000 sacks of wheat. It was stated that for several days the Lunghai Railway suspended ordinary traffic and devoted the line exclusively to the shipment of food supplies to Honan. It was claimed that the area to the west of Loyang is now adequately cared for but that emergency conditions still exist east of that point and also, that the situation in the east was now being aggravated by an influx of refugees from Shantung and Hopei to the north.

On April 15th it was reported from Loyang that numerous military organizations were contributing grain, and that the western section of the Lunghai Railway was choked with foodstuffs destined for Honan. It was estimated that 21,000 sacks of rice and miscellaneous cereals were being rushed to the famine region.

On April 18th it was reported from Sian that the Shensi Provincial Government was sending large quantities of foodstuffs, "in compliance with the Generalissimo Chiang Kai-shek's order". It was stated that the first batch of more than 1,600 tons of foodstuffs was being transported by the Lunghai Railway.

On April 19th it was reported from Loyang that the relief organization was well developed and that it was expected that by the end of April each sufferer will have been given C. N. \$10.00 (U. S. \$0.50) in cash and 15 cattles of corn and 12 cattles of wheat.

Respectfully yours,

JOHN CARTER VINCENT

893.408/1

Memorandum by Mr. Troy L. Perkins of the Division of Far Eastern Affairs

[Extracts]

[WASHINGTON,] April 24, 1943.

Reference Chungking's strictly confidential despatch no. 1001, March 17, 1943.

Comment: It is believed that the future activities of the San Min Chu I Youth Corps will deserve fairly close attention. While there are numerous morale and propaganda agencies in China (New Life Movement, National Spiritual Mobilization Movement, etc.), the dynamic character of the Youth Corps contrasts strongly with the moribund condition of nearly all the others. This movement receives the serious attention of some of the most influential Chinese officials and it appears to be growing rapidly in strength.

While many of the above affirmations doubtless spring from an understandable Chinese desire to further social consciousness, pride in China's past, economic independence and scientific progress, it is believed that the highly nationalistic and mechanistic ideology of the German "state philosophy" can be detected in them.

As the Embassy has frequently indicated, the San Min Chu I Youth Corps is a "seed-bed" for future Kuomintang leadership. Its present vitality indicates that it may be able to provide badly-needed new life blood (youth) for the Party. However, its leadership and support would appear to assure that its activities will have a reactionary character. Kang Tze, active leader of the Corps, is known to be strongly influenced by German models. Chu Chia-hua (German returned student and Vice President of the Examination Yuan), Chen Li-fu (Minister of Education), Ku Cheng-kang (Minister of Social Affairs) and Chang Tao-fan (Minister of Information) are all reactionary and are all influential in the direction of the Youth Corps. Several of the leading military figures, including Generalissimo Chiang, are vigorous supporters of the Corps. The apparent reluctance of the better student type to join the Corps is understandable but it also has its disturbing aspect, as this situation would indicate eventual control of the movement (and later of the Party) by half-educated rowdies and place-seekers, to the submersion of the humanistic element which has been the strongest force in Chinese civilization at its best.

893.408/2

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

No. 1118

CHUNGKING, April 28, 1943.

[Received May 24.]

SIR: Referring to my despatch No. 1001 of March 17, 1943, concerning the San Min Chu I Youth Corps, I have the honor to report that this organization has just completed its first National Conference at Chungking. Delegates to the Conference represented various provinces of Free China and the occupied areas, the United States, Malaya, Burma, Formosa and Indochina. Of the approximately 350 delegates to the Conference less than 30 per cent were estimated by an observer to be students. At a joint meeting of the Central Executive and Central Supervisory Boards (the latter composed of the heads of universities and middle schools) held after the close of the Conference, Generalissimo Chiang Kai-shek, who is Director-General of the Corps, announced that the members of the Central Executive Committee and the Central Supervisory Committee of the Kuomintang

and the Presidents and Vice-Presidents of the Executive, Legislative, Judicial, Control and Examination Yuans would [be] ex-officio Directors of the Corps. The resolutions passed by the Conference were, as summarized by the press, principles for the unified training of the youth, principles for a ten-year plan for the development of the Corps, mobilization of the youth for building a new China, establishment of an organ to administer youth work and promotion of youth welfare.

The Generalissimo in speeches before the Conference outlined the tasks of Chinese youth as extension of rural education and cultural work throughout the entire country, the cultivation of students' interests in industry and labor, the promotion of scientific and technical movements and the carrying out of the tenets of the New Life Movement. He stated that the Corps must restore and develop the inherent virtues of the nation and reform the old society in order to realize the San Min Chu I and build a modern nation in China. He further laid down five basic principles as a guide for their activities: Youth must respect their elders and superiors; youth must perform manual labor; youth must respect farmers and laborers; youth must uphold equality of sex; and youth must obey government orders. He called upon the members of the Youth Corps to lead the youth of China in adopting these principles: that labor is the first essential of life; that science is the first essential of knowledge; that national reconstruction is work of the first importance; that industry should take precedence over all fields of endeavor; that principle is the foundation of faith; and the national defense is the first essential of nation-building. The Generalissimo stressed that the organization and training of the Corps must be coordinated with the educational system and planning and added that the policy of education in the future must be based on the principles outlined in his book, *China's Destiny*, that is, to lay emphasis on psychological, ethical, social and economic reconstruction. He added that the training of personnel for carrying out the ten-year plan of economic reconstruction, as described in *China's Destiny*, is urgently needed and that, therefore, the present educational system must emphasize vocational and technical training in middle schools, in which the Youth Corps will play an important part.

The Generalissimo's emphasis upon organization, training and discipline of Chinese youth was repeated by General Pai Chung-hsi, Deputy Chief of Staff, who in an address to the Corps called upon the educated youth of the country to enter into active military service in order to improve the quality of the Chinese army, develop a strong national defense and consummate the objectives of the revolution under the standard of the San Min Chu I.

The Generalissimo pointed to the youth of China as the hope of the country upon whom its destiny depends and asserted that any

youth who wished to take part in the reconstruction of a modern China should join the Youth Corps. He repeated the statement made in his book that "the San Min Chu I is the soul of the nation, the Kuomintang is the main artery of the nation and the San Min Chu I Youth Corps is the new blood in this main artery" and added that those who have not joined the Corps have not yet fulfilled their duty.

[Here follows report of other details concerning the Youth Corps.]

Units of the organization are reported as being very active in Japanese-occupied areas. The Kuomintang may be expected to expand the San Min Chu I Youth Corps among overseas Chinese just as it endeavors to increase its own influence among Chinese abroad. The Embassy has recently issued a visa for entry into the United States to a Mr. Chiang I-chen, adviser to the San Min Chu I Youth Corps, who is proceeding to the United States on behalf of the Chinese Government for the study of youth movements in wartime. It is possible that Mr. Chiang will interest himself more in the San Min Chu I Youth Corps units which are known to exist in the United States than in the study of American youth movements which bear little similarity to the Chinese organization.

Respectfully yours,

JOHN CARTER VINCENT

893.00/15019

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

No. 1132

CHUNGKING, May 3, 1943.

[Received May 25.]

SIR: Referring to my telegram no. 613 of April 29, 10 a. m.,⁵⁷ concerning conditions in the Peiping area, I have the honor to enclose for the Department's information a copy of a memorandum⁵⁷ describing conditions in that area and the reaction of Chinese youth coming from that area to the treatment accorded them by the Central Government authorities.

The information contained in the memorandum was obtained from a Chinese graduate of Catholic University at Peiping who in company with other students left Peiping on January 20. He states that practically all Chinese organizations at Peiping are secretly honeycombed with Chungking and Communist adherents, the latter being particularly strong in the Hsin Min Hui. Many of the students in the four universities now functioning at Peiping are members either of the San Min Chu I Youth Corps or of the Chan Kan Tuan. The students act as espionage agents for the Chungking Government or the Communists

⁵⁷ Not printed.

with respect to Japanese military, economic, governmental and political activities and some of them engage in terroristic activities.

The group with which the informant traveled proceeded from Peiping by a new route, now being used by travelers from that area, which lies along the Ping-Han Railway to Hsinhsiang, Honan, thence by the Taoching Railway to Huaiching from which point they proceeded overland to Wangchao. At that place contact was made with Nanking puppet troops who provided them with passes for entry into Free China and who appeared to maintain close liaison with the Chungking authorities. From Wangchao they proceeded south across the Yellow River and then to Loyang.

The informant and his party had left Peiping with the assistance of the Chan Kan Tuan which had invited them to go to Sian for a six months military training course upon completion of which they would be eligible to become officers in the Chinese army. Representatives of this organization, the head of which is said to be General Hu Tsung-nan, met them at Sian and questioned them closely, apparently being extremely suspicious of their possible connections with the Communists. The quarters given them there consisted of damp dirty rooms with mud floors and without beds or bedclothing and they could obtain no indication of what type of work they would train for other than a vague statement that they might become active in the occupied areas after some training. This discrepancy between what had been promised them at Peiping and actual conditions at Sian led them to leave Sian and proceed to Chengtu and Chungking. Similar treatment of some of the group had occurred in the case of those who applied for positions as interpreters with the Chinese troops in India. After taking the required examinations, they were told that they were not to go to India but to the Yunnan-Burma border for work with transport organs of the army. The result was a feeling that the Chungking authorities had not been honest and fair in their treatment of students who were attracted here by promises which had not been fulfilled.

These young Chinese are perhaps representative of many others from well-to-do families who have come to Free China imbued with a desire to contribute something to the war effort against Japan and who now find themselves without money or means of support save for the near-starvation salaries they receive at government offices. Some of them are returning to their homes in occupied areas, feeling that life with their families under Japanese rule is preferable to a bare subsistence-level existence in Free China. The informant made his remarks about the treatment accorded him with obvious reluctance and an air of bewilderment that the Chungking Government could be so indifferent to Chinese youth it had persuaded to come to

Free China. He displayed only a certain grudging admiration for the Communists, praising them for their activities in North China, their treatment of the Chinese people and their endurance of hardships but maintained that their political beliefs were not suitable for China.

While it is realized that Chinese students have largely remained outside actual war activities, particularly in Free China, students in the occupied areas who have been far removed from Chungking authority, who consequently have perhaps been less aware of the workings and trends of the Kuomintang and of the Central Government and who have listened to radio propaganda emanating from Chungking have in many instances given active and concrete support to Chungking activities in the occupied areas. These are the persons who would form a base of support for the present Chinese Government after the war in its effort to reestablish its authority in the areas from which the Japanese had withdrawn. The situation arising from the above-described treatment of students is one which is therefore likely to have an unfavorable effect on the influence of the Chungking Government in those areas which are particularly important in view of the Communist position there and the latter's appeal to Chinese youth.

Respectfully yours,

JOHN CARTER VINCENT

898.00/15007 : Telegram

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

CHUNGKING, May 6, 1943—10 a. m.

[Received 10:37 a. m.]

654. Chou En-lai, representative at Chungking of the Chinese Communist Party, called and ensuing conversation developed the following:

Negotiations carried on intermittently for the past half year for settlement between the Kuomintang and the Communists are at a standstill. Lin Piao, Communist General who came to Chungking at the Generalissimo's invitation in November, is still here awaiting some kind of settlement which it does not appear will be forthcoming (it is not improbable that Lin Piao may be remaining involuntarily). Chou states that Communists have agreed in principle to reduction of their forces and to their concentration in areas north of the Yellow River but have pointed out, with regard to the latter point, the practical impossibility of transferring troops from isolated areas through Jap held territory, and the ill effects of withdrawing their troops from areas which Kuomintang forces are not prepared to occupy.

General Ho Ying-chin has informed Chou that, since the National Government made these two requirements some years ago, circumstances have changed and that the situation must be reconsidered. Communists continue to put forward their four points involving Communist cooperation in struggle to realize principles of San Min Chu I; National Government recognition of right of Communists to participate in the war and in the Government and legalization of local government's setup in Communist areas; support of Communist armies to enable them actively to fight Japan; and free cooperation now and after the war among all parties under a National Government dedicated to democracy and reconstruction. Kuomintang officials here insist that undefined general principles must be agreed upon before these Communist desiderata can be considered. This is how the matter now stands and, I think, will continue to stand for some time to come. I do not consider, and Chou concurs in this view, that there is any imminent likelihood of an outbreak of civil war; but the determination of Kuomintang leadership, probably stronger now than a year ago, to liquidate the Communists continues to be a sure barrier to cooperation. The very objective of the negotiations, from the standpoint of the Kuomintang, is the elimination of the Communists as a force in China and if this elimination cannot be accomplished through negotiations an attempt will be made when what may be considered a propitious moment arrives to effect it by force.

Chou does not anticipate any radical alteration in the situation between Soviet Union and Japan although he feels that the Russians may attack the Japs when they are freed from the German threat. He is anxious that American military and competent civilian observers proceed to guerrilla areas in the north to make studies of the area with a view to preparation for eventual air and land action against the Japs. He envisages such action as coordinated with eventual Russo-Jap hostilities and expresses hope that the Chinese might be able to move through North China into southern Manchuria. He also speaks of the need of Chinese preparations to advance in the Yangtze Valley (against Ichang and Hankow) and further south to take advantage of a hard pressed Japan when an anticipated all out American naval offensive commences. He believes that the Chinese have and can produce, with internal natural and industrial resources, sufficient supplies to carry out limited offensives with little aid, other than aerial, from outside. He deploras present virtual military inactivity in China and speaks regretfully and reproachfully of the lack of offensive spirit shown by the Kuomintang leaders.

VINCENT

740.0011 Pacific War/3233 : Telegram

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

CHUNGKING, May 6, 1943—4 p. m.

[Received May 6—12:30 p. m.]

660. Clubb reports from Tihwa that one division of Chinese National troops is reported to have begun entry into Sinkiang in compliance with request from General Sheng Shih-tsai, Chairman of the Provincial Government. Troops are moving by truck and the first contingent crossed the border on April 16 en route to Tihwa and Clubb saw one contingent arrive in Tihwa April 21. He reports his understanding that Soviet Union still maintains at Hami a well-equipped task force of one regiment (probably 1500 men) and states that he is not informed whether there are other Russian units in the province.

VINCENT

893.00/15009 : Telegram

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

CHUNGKING, May 8, 1943—10 a. m.

[Received 11:13 a. m.]

667. Embassy has learned from reliable sources of existence in Kansu, Kweichow and Ninghsia of unrelated revolts against Central Government authority.

Kansu disturbances are most widespread affecting several hsien south of Lanchow where peasants have turned bandit and have at times cut two main roads south from Lanchow. Revolt arose in protest against conscription and collection of land tax in kind and Ma Pu-fang, Governor of Chinghai, is rumored to have taken opportunity to spread disaffection. Kansu Chairman Ku is said to be particularly unpopular with peasantry while General Chu Shao-liang is reported to have allowed movement to spread in order to embarrass Ku. Central Government has dispatched troops and planes to quell bandits who are reported to number between 20 to 50,000 and whose number has been swelled by disaffection of local Pao An Tui.⁵⁸

Disturbance in eastern Kweichow is said to have arisen from tax collection by Central Government authorities and to have been inspired by puppet agents. This is recurrence of similar revolt last autumn.

Ninghsia disturbances are reported to have been instigated by Japs using Mongols to arouse people against Central Government authority.

⁵⁸ Militia.

Although these revolts are unrelated, they may be taken as sign of further possible efforts of Japs and puppets to undermine Chungking and also, taken in conjunction with inefficiency and corruption of Central Government officials in Honan famine disaster, point to possibility of increasing lack of confidence in Chungking Government.

VINCENT

893.00/15026

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

No. 1173

CHUNGKING, May 12, 1943.

[Received June 2.]

SIR: I have the honor to enclose a copy of an informal report made to me on the eve of my departure from Chungking by Mr. Everett Drumright, Second Secretary of Embassy temporarily stationed at Chengtu, Szechuan. I find Mr. Drumright's comments interesting and in general sound. I am not disposed to be as pessimistic about the outlook in China as he is but if one grants the point that the war may continue for another three years there is no doubt but that a very serious situation will develop in China.

I may take the opportunity of my early return to Washington to comment further upon the potential situation described in the enclosure.

Respectfully yours,

JOHN CARTER VINCENT

[Enclosure]

The Second Secretary of Embassy in China (Drumright) to the Chargé in China (Vincent)

[Extract]

CHENG TU, May 5, 1943.

General situation. Within the past few months and especially during the past two months there has been a serious deterioration in the general situation. As you know there have been uprisings in Kweichow which appear at least in part to be directed against the National Government. In Kansu banditry is rampant and apparently spreading. In Honan there is one of the worst famines that China has experienced within the past fifty years. In Szechuan, the hub of Chinese resistance, there is great uneasiness and tension and there have been small uprisings and an increase in banditry. Down at the front there is very little activity; malnutrition is apparently prevalent

among the troops, sickness is increasing, and the spirit of the troops is said to be flagging. Guerrilla activity is but a name. In the occupied areas the Japanese with a few hundred troops are able to sit behind their elaborate fortifications and contain thousands if not hundreds of thousands of idle Chinese troops.

Inflation is one of the chief cankers eating at the heart of the Chinese will to go on. It is probably true that the merchant, agricultural and laboring classes are not irretrievably affected by this force, but inflation seems to be destroying the morality of the country, sapping the spirit of the people. The lack of a clear-cut economic policy in Chungking has added to the ills. Half-hearted attempts to control prices and to enforce the rationing system have threatened to upset the economic equilibrium of the country, stimulate black markets, interfere with production, and bring about higher rather than lower prices. And then, of course, there is the fiscal problem which must be very serious and growing even more so, with the issuance of additional bank notes as the only means of filling the breach.

It goes without saying that the Chinese are heartily sick of the war, that they want it to be over as soon as possible. It seems very obvious that they are disillusioned by what has happened since Pearl Harbor. They thought that would mean quick defeat for Japan whereas in fact their lot has been made more difficult in some respects. Surveying their own internal problems which are legion and growing ever more complex and serious, they are beginning to wonder whether they will be able to hold together until Japan is defeated. They are driven to despair when they admit to themselves that the war against Japan must go on for another three or four years—a period that seems an age to a people who have already endured the vicissitudes of war for six years, a people who have exchanged manpower and space for time. But the sands seem to be running out and unless there is a stimulus injected from some direction the will to fight on may collapse in the ruin of the political and economic machine that has enabled China to fight on thus far.

The Chinese, in desperate straits as they are, are not encouraged by the thought that an Allied victory in Europe is a common victory in which they share. And they are most certainly not encouraged by the slowness with which they feel that the European campaign is proceeding. They of course want more action against Japan and they want it soon. They may want it in order to take Japanese pressure off their backs (which is in fact more pressing from an economic and financial position than from a military point of view), but I believe that they want decisive action against Japan in the near future because they feel inwardly that they cannot go on supporting the war in even its present relatively quiet atmosphere very much longer.

The Chinese are not only driven to pessimism and despair by the policy of despatching Hitler first, but also because of the seeming lack of concrete assistance given to China at this time. Speeches such as that made not long ago by Prime Minister Churchill do incalculable harm; they tend to shatter the spirit and morale of the Chinese people and such utterances, worse still, tend to cause the Chinese people to have less confidence in their leaders.

I believe that the Chinese people still have faith in the United States, in the utterances of President Roosevelt. They believe even yet that the United States will come to their rescue. But it is a matter for speculation as to how long they will continue to feel that way. As you know, the Chinese people as a whole—those who are articulate—have no confidence and faith in the policies and attitudes of Great Britain and Churchill; they feel that Britain fears the rise of a strong China, wants China to remain in a semi-colonial status; they believe that Britain will continue its colonial policy after the war. That feeling on the part of the Chinese people is, if anything, fostered by most Chinese leaders not excepting the Generalissimo himself. There is also an abiding distrust of the Soviet Union prevalent in official and private circles, a distrust abetted by the thorny problem of the Chinese communists now astride of North China and possibly in a position to join hands with the Soviet Union by way of Manchuria if and when Japan collapses. It is an open secret that all this activity looking to the development of the northwest is not based on sound economic policy. The chances are about nine to one that the northwest will not sustain much economic development for the resources to justify large-scale developments do not appear to exist. The real reason for all the activity centered around the economic development of the northwest is political. The Generalissimo, looking to the future, apparently feels that it is necessary to build a barrier in the northwest to stop possible Soviet incursions. He may need such a barrier before he can undertake the work of clearing the Chinese communists from northeast China if that becomes necessary.

Getting back to the United States and its policy toward China, it seems to me that we should make a special effort to rejuvenate Chinese morale. The quickest way to do that is to increase our air power out here—if that is possible—and to hit the Japanese hard from the air. Another way to stimulate Chinese morale would be to recover Burma, but that has rather more long-range implications. We need to do something now. We should also, I believe, encourage the Chinese in every way possible to feel that we are coming to their rescue as

soon as we can, that we are exerting every effort to crush Japan as soon as possible. As I said above, the best way to demonstrate our good faith is to do it right here in China. The Chinese are glad to see us win victories in the Pacific and off Australia, but they are now tired and not so rational as they might be. They want something done here. If we could come in with powerful air support and create havoc among the Japanese and their installations, it would, I believe, revive the drooping morale of the Chinese. But even more important it would, I believe, revive their confidence in their leaders and probably put an end to the threatened defections of the sectional warlords and politicians who, believing that the opportunity is ripe, are apparently beginning to stir up and incite the people. This is a trend that will have to be stopped if we wish China to continue organized resistance to Japan, and we can play a large part in suppressing the secret ambitions of the warlords who place personal aggrandizement and gain above everything and who would bring back the reign of anarchy that existed after the downfall of the Manchu Dynasty. I realize that what I have said above is couched in a very pessimistic vein, but I feel very strongly that it reflects the present trend of events in this country. I do not wish to go on record as predicting that the Chiang Kai-shek regime will collapse tomorrow; it will probably be able to carry on for some time yet barring a widespread famine. But I do feel that the seeds of disintegration have been planted, that we should recognize that fact and the serious implications it holds for the United States and the other United Nations and that we should do all within our power—as we may be doing for all I know—to encourage and support the Chinese people and the Chiang Kai-shek government.

[Here follows report on unrest in Szechuan and Sikang and opposition of provincial military leaders to growth of authority of the National Government.]

Cordially yours,

EVERETT F. DRUMRIGHT

893.105/94

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

No. 1194

CHUNGKING, May 18, 1943.

[Received June 2.]

SIR: Referring to the Embassy's despatch No. 1184 of May 14, 1943,⁶⁰ in regard to the dispute between the Chengtu police and the troops of the Ching Pei Ssu Ling Pu, there is enclosed a copy of a

⁶⁰ Not printed.

further letter from the Second Secretary on detail at Chengtu,⁶¹ reporting increased friction between the two organizations.

Mr. Drumright reports that the incident described in the despatch under reference was followed by a clash resulting in the death of four police and the wounding of seven others. On May 1 there occurred another incident involving the police and the troops when the latter were prevented by the police from forcing their way into a private establishment on the grounds of the West China Union University campus. It is stated in the letter that tension prevails throughout the city as a result of the situation.

Mr. Drumright states that so far as he knows no action has been taken to remove or to discipline General Yen Hsiao-hu, the Commander of the Ching Pei Ssu Ling Pu and a member of the Szechuan military clique, but that some such move is necessary if the National Government is to retain any vestige of its prestige in that area.

There would appear to be increasing opposition on the part of the Szechuan military clique to the authority of the Central Government, and the recent visit of Dr. H. H. Kung at Chengtu and his reported call on Generals Pan Wen-hua and Liu Wen-hui, Governor of and Pacification Commissioner for Sikang, may be taken as an indication that the Central Government is fully aware of the implications in the situation and is taking action to relieve it. These two members of the Szechuan military group are reported by Mr. Drumright as being involved in this trouble at Chengtu and in the disturbances at Penghsien (see Embassy's despatch No. 1104, April 26⁶¹). In another letter dealing with general conditions in China, Mr. Drumright reports a well-informed Chinese observer as saying that General Teng Hsi-hou, the most powerful of the Szechuan militarists, is, however, still loyal to the Generalissimo and will unquestionably support him if an outright break should come.

In a personal letter to Mr. Vincent, Mr. Drumright says that with the absence of Provincial Governor Chang Chun in Chungking and with General Teng Hsi-hou, Pacification Commissioner for Szechuan, in a hospital for an appendectomy at the time of the clash between the police and the troops, the situation came very near to getting out of hand and that the tension continues notwithstanding that Governor Chang is in Chengtu and that Dr. H. H. Kung recently visited that place. General Liu Wen-hui, mentioned above as being involved in the matter, arrived at Chengtu from Yaan at the beginning of May.

Respectfully yours,

GEORGE ATCHESON, JR.

⁶¹ Not printed.

893.00/15031

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

[Extracts]

No. 1195

CHUNGKING, May 18, 1943.

[Received June 12.]

SIR: With reference to the Embassy's telegram No. 705, May 15, 10 a. m.,⁶² concerning conditions in Honan Province, there is enclosed copy of a memorandum to the Embassy dated May 5, 1943,⁶² prepared by the Secretary on detail at Chengtu covering an interview with Dr. Robert McClure, a Canadian national who is a director of the Friends Ambulance Unit. Dr. McClure recently arrived in Chengtu from a trip that took him to Chengchow, Honan.

Dr. McClure declared that the Communist forces are, if anything, less active than the forces of the National Government in opposing the Japanese in North China.⁶³ He added that there is a great exodus of Chinese students from North China, chiefly from the Peiping area, and that the majority is proceeding to the Chengtu and Chungking areas.

Respectfully yours,

GEORGE ATCHESON, JR.

893.00/15033

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

No. 1201

CHUNGKING, May 19, 1943.

[Received June 12.]

SIR: Reference is made to the Embassy's despatch No. 1135 of May 3, 1943,⁶⁴ in regard to an attack by bandits on American citizens in Kansu, and to the Embassy's telegram No. 667 of May 8, 10 a. m. reporting minor revolts against Central Government authorities in several provinces in Free China.

There is enclosed a copy of a memorandum dated April 27⁶² prepared by the Secretary of Embassy at Chengtu, on the subject of the rise of banditry in Kansu Province. Mr. Drumright describes

⁶² Not printed.

⁶³ The Second Secretary of Embassy on detail at Chengtu stated in his memorandum: "Dr. McClure says that units of the 'Eighth Route Army' are if anything less active than the forces of the National Government in opposing the Japanese in North China, and he remarks that the term 'Eighth Route Army' is now anathema to the Chinese residents of Shansi Province who have come to hate them for their alleged ill treatment of the people. Dr. McClure states that the feeling of the people in the vicinity of Wenhsiang, Shansi, is particularly strong against the Chinese communists."

⁶⁴ *Post*, p. 717.

the circumstances of the attack on the American missionaries mentioned above and the impressions of one of those Americans with regard to the general question of banditry in Kansu. The missionary in question estimates that there were approximately 4,000 armed men in the band which attacked the two missionaries and he described them as being well equipped with rifles and horses and well organized. The band was composed of local inhabitants, partly Chinese and partly Moslem, and was said to be robbing both travelers and the local populace. The informant believes that the chief cause of this uprising was economic but states that one of their avowed aims was to massacre and expel Central Government officials who are going to Kansu in increasing numbers. This uprising began approximately two months ago and the bandits are now in considerable numbers in western and southern Kansu, one of the bandits boasting that they number 30,000. The American missionary expressed the belief that the bandits are acting in collusion with the Ko Lao Hui and other secret societies in Kansu. At the time of his departure from Lanchow in late April armed bandits were within five li of the city and road communications with southern Kansu were completely severed with only an occasional vehicle arriving over the road from Sian.

Conflicting reports continue to be received by the Embassy concerning the situation in Kansu. Central Government officials state that the uprising has been subdued and that it arose chiefly through opposition of the peasants to the unfair procedure followed in carrying out conscription, the burden falling entirely on the peasantry and wealthier individuals being exempt. Those officials also express the opinion that the Communists have taken the opportunity to spread the revolt. American and other observers, however, feel that the disturbances arose both from conscription of peasants for labor service with the army and from the collection of tax in kind by the provincial officials. There seems to have been a particularly strong feeling against the Provincial Chairman, Ku Cheng-lun. According to the Embassy's information, the movement has not subsided but on the contrary has probably spread and the Central Government has rushed troops into the region from the Sian area and has employed planes to disperse the bandits. One American newspaper correspondent who traveled over the road from Chengtu to Lanchow at the beginning of the outbreak stated that the bandits roamed in groups of from 500 to 2,000, that the ineffectiveness of planes in quelling the disturbances did not augur well for the Central Government's hopes of successfully using such methods against the Communists after the war and that the bandits were difficult to apprehend because of the ease with which they were able to turn from bandit to peasant.

All observers appear to agree in the opinion that this uprising has no direct relation to other disturbances in Free China and that there has been no evidence of Japanese or puppet machinations.

While the various disturbances throughout Free China are not directly related, the picture taken as a whole is one of increasing unrest, of dissatisfaction with the Central Government and, perhaps most important, a general weariness from the strain of six years of war. Many Chinese observers now speak of the growing tension and the increasingly serious economic and financial strain upon the country as a whole. The friction between the Central Government authorities and the Szechuan military leaders (see Embassy's despatch No. 1194 of May 18) has grave implications, for if the Central Government is unable to impose its authority in the province in which its capital is located, the situation in provinces more remote from the seat of the Government must be even less hopeful. Even should the Central Government easily quell the present local disturbances, the roots thereof will remain and unless the Government finds some solution of the problems confronting it other than through use of military force, it is not unlikely that there will be further instances of unrest which are certain to be used by the Japanese and puppets to advantage whenever possible.

Respectfully yours,

GEORGE ATCHESON, JR.

893.00/15020 : Telegram

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

CHUNGKING, May 24, 1943—5 p. m.

[Received May 25—5:25 p. m.]

771. The announcement of May 22 of the dissolution of the Comintern has been very well received by Chinese officials. However, with their highly developed interest in post-war problems they seem generally to interpret it more in the terms of those problems as indicating Soviet willingness to cooperate in the postwar world than as a step forward which might have among other things practical application to certain of China's present problems. Over the weekend I had opportunity to see socially a considerable number of important Chinese and I did not receive from their conversation any impression that consideration has been or will be given to realizing the Soviet action as a possible springboard for moves toward resolving the disension between the Chinese Communists and the Kuomintang. On the contrary in the opinion of some observers it seems not unlikely that Kuomintang reactionaries will not consider that further repres-

sive measures against the Chinese Communists may now, at least from the point of view of Sino-Soviet relations, be more safely applied.

Repeated to Kuibyshev.

ATCHESON

893.00/15032

*The Chargé in China (Acheson) to the Secretary of State*⁶⁵

No. 1208

CHUNGKING, May 24, 1943.

[Received June 12.]

SIR: There is transmitted herewith a copy of a memorandum⁶⁶ submitted by the Secretary on detail at Chengtu reporting a conversation of May 2, 1943, with Dr. C. W. Chang, Dean of the College of Agriculture and Forestry of the University of Nanking, in regard to general conditions in China. Prior to the conversation Dr. Chang had been in Chungking for a month during which time he talked with Generalissimo Chiang Kai-shek and many other prominent Chinese officials.

Dr. Chang stated that the fiscal situation is the cause of great concern to the Central Government, for it can hope to raise no more than half of its budget of CN \$36,000,000,000 through taxation. Opposition to the efforts of the Government to increase present taxes and impose new ones, together with the possibility of an increase in taxes being used by dissident elements to stir up trouble among the people, forces the Government to proceed cautiously.

With regard to the recent disturbances in Kweichow, Szechuan and Kansu (Embassy's telegram No. 667, May 8, 10 a. m.), Dr. Chang expressed belief that they were instigated by powerful elements opposed to the Chinese Government. He pointed out that the Chinese people are becoming war-weary and disillusioned because of deteriorating internal conditions, the apparent lack of assistance from abroad and the apparent American and British policy of crushing Germany first and Japan afterwards. With the morale and spirit of the Chinese people at a low ebb, local political groups, seeking personal gain and power, appear to be inciting the people to oppose the Central Government and to be causing local unrest. Dr. Chang expressed belief that the most important factor upon which depends the success of the Central Government in overcoming its present difficulties is this year's harvest. Given unfavorable crops, the Central Government may find it impossible to maintain the unity and peace necessary to continue the war.

⁶⁵ Copy sent to Lauchlin Currie, Administrative Assistant to President Roosevelt.

⁶⁶ Not printed.

In the international field, Dr. Chang outlined the attitude of the Chinese toward the other major powers, asserting that the former consider the United States to be the only real friend China has among the world powers. Great Britain and Soviet Russia are viewed with suspicion and the Generalissimo's plans for the development of the Northwest arise partly from suspicion of Soviet Russia and the desire to establish a bulwark against possible Soviet menace.

The informant includes the Chinese Communist Party among the elements seeking to discredit and destroy the Kuomintang and the Central Government. He stated that they now control parts of Shansi, Shensi, Hopei, Shantung and Kiangsu and that their eventual aim after the defeat of Japan is to extend their control to Manchuria. He charged that the Communists are now cooperating with Wang Ching-wei in endeavoring to expel General Han Teh-chin and his Central Government troops from northern Kiangsu. He was of the opinion that the Communist system of land tenure will alienate the support of the local populace in North China and that with the lack of that support they cannot remain in control of that area.

The Embassy concurs with the general thesis of the above-described conversation and feels that there is an increasing awareness among the Chinese of the strain of six years of war with its concomitant of rising prices, a steadily deteriorating economic and financial situation and a feeling that the China war theater has been completely subordinated to other war zones with respect to any appreciable military aid from the United Nations. The roots of the unrest in various parts of Free China are chiefly economic and it has not been difficult for dissident elements to take advantage of the opportunity to spread disaffection. The instigators have thus been both those provincial elements which have long resented the encroachment of the Central Government and Japanese and puppet agents who are motivated by a desire to destroy the Chungking Government. The Chinese Communists are convinced that, in view of the anticipated efforts of the Kuomintang to seek the liquidation of the Communist Party and its army through negotiations or by force at the first favorable opportunity, their role vis-à-vis the Kuomintang can never be that of a legal minority party with participation in the Government (Embassy's despatch No. 1179 of May 13⁶⁷). It would be surprising, therefore, if the Communist Party failed to utilize opportunities to undermine the Kuomintang, but it does not necessarily follow that the Chinese Communists would cooperate with puppet elements in order to overthrow the Central Government. The Communists would have nothing to gain from the cessation of organized resistance to Japan which would result from a capitulation by the Chungking Gov-

⁶⁷ Not printed.

ernment, and the Communists are not sufficiently strong in numbers or in equipment to force the issue with the Central Government.

Conflicting reports continue to reach the Embassy with regard to the attitude of the people in north China toward the Communist Party and its policies. Some Chinese and the majority of foreign observers who have lived in or passed through that area depict favorably the attitude of the local populace toward the Communists and Communist activity in that area (Embassy's despatches No. 996 of March 15 and No. 1042 of April 2)⁶⁸ and state that Communist forces are much more active in guerrilla operations than Central Government troops. Other Chinese harbor a deep-grained suspicion of the Communists and criticize them for their policy of land confiscation and treatment of the Chinese people. It is difficult to reconcile the two divergent views, but in any estimate of the Communist position and the Chinese attitude toward the question there is to be considered the accumulated effect of years of Kuomintang propaganda against the so-called "red bandits" and the natural suspicion which exists with regard to Communism.

Respectfully yours,

GEORGE ATCHESON, JR.

893.001/168 : Telegram

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

CHUNGKING, May 30, 1943—11 a. m.

[Received May 31—9:33 a. m.]

811. Embassy's 809, May 29, 2 p. m. and previous.⁶⁹ Illness of President Lin Sen. At an extraordinary meeting of the Standing Committee of the Central Executive Committee held last night, May 29, decision was taken to insert a provision in organic law of the National Government to the effect that the President of the Executive Yuan (General Chiang Kai-shek) shall act on behalf of the President of the National Government in case the latter is incapacitated by any cause. The provision was subsequently promulgated by a National Government mandate and General Chiang is accordingly acting as (technically "on behalf of") the Chief of State without, however, assuming the title. It is now to be assumed that any difficulties in international, Party, and Government politics which might have been anticipated in the expected event of Mr. Lin Sen's death have been resolved for the time being and will not arise until and unless decision is taken by Chiang and the group in control to select a substantive

⁶⁸ Neither printed.

⁶⁹ Telegrams not printed. President Lin Sen suffered a stroke on May 12. A message of concern, sympathy, and hope for his early recovery was sent by President Roosevelt on May 13.

replacement for the President other than the Generalissimo himself.

The promulgation of the new provision of the organic law has been made public.

ATCHESON

893.44 Chiang Kai-shek/109

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

No. 1220

CHUNGKING, May 31, 1943.

[Received July 15.]

SIR: With reference to the Embassy's despatch No. 1064 of April 8, 1943, to the Embassy's telegrams No. 527, April 13, 10 a. m. and No. 781, May 25, 6 p. m. and to the Department's telegram No. 632, May 18, 5 [6] p. m.⁷⁰ in regard to Generalissimo Chiang Kai-shek's book entitled *China's Destiny*, the Embassy transmits herewith, in accordance with the Department's request, the original Chinese text of that book and a copy of a condensed translation thereof. The translation was made by the British Embassy at Chungking which requests that its source be kept confidential.

Summary. *China's Destiny* shows preoccupation with China's past treatment by Japan and other foreign powers, determination to make the country militarily and economically strong, conviction that this can be accomplished only through unity under the leadership of the Kuomintang and belief that Western culture, with the exception of science, is unsuited to China. Despite the narrowness of the views expressed, Kuomintang praise of the book has been extravagant and there are indications that the book will become a second "Bible" of the Party. The important share of the reactionary Tao Hsi-sheng in the writing of the book is generally known and the book has created strong resentment among Chinese intellectuals for its lack of vision and progressiveness. It is understood that an English version of the book will not be published either in China or abroad because of anticipated unfavorable foreign reaction and that present plans are to revise the Chinese text and publish an English version thereof.

Contents of "China's Destiny".

There is also transmitted herewith a brief digest⁷¹ of the book prepared by this Embassy. It is interesting to note the differences in this digest and that published by the Central News Agency (Embassy's despatch under reference) which was handed to foreign press correspondents by the Ministry of Information. Obvious differences are the omission of references to the necessity of one-party rule (i. e. the Kuomintang), the emphasis on ancient Chinese culture versus western culture, the passing over of the worst anti-foreignisms and the almost

⁷⁰ None printed.

⁷¹ Not printed.

complete omission of any reference to the rights of man and government by law. The section of the book devoted to the last-named subject indicates the rejection of the doctrine of liberty and the rights of the individual as known in liberal western nations.

Tao Hsi-sheng's Share in the Writing of the Book.

It is generally believed that Tao Hsi-sheng made the largest contribution to the writing of the book although informed observers agree that the views expressed are entirely those of the Generalissimo. Tao has a background as a long time supporter of Wang Ching-wei and he is said to share Wang's pro-Fascist ideas. When the Chinese Government moved from Nanking to Hankow in 1937, Tao together with several former Blue Shirt adherents formed a small "literary" society for the purpose of combatting the then strong influence of left-wing writers. He joined Wang Ching-wei at the time of the latter's desertion of the Chungking Government in 1938 and remained with him for some time at Nanking. In 1940 Tao fled to Hong Kong (Embassy's telegram No. 51, January 17, 7 p. m., 1940⁷²) and "exposed" the terms of the agreement reported to have been reached between the Nanking puppet regime and the Japanese. Since Tao's return to Chungking, he is said to have become a trusted adviser to the Generalissimo and is regarded as close to the reactionary "CC" clique headed by Chen Li-fu and Chen Kuo-fu, which is commonly considered the most powerful single faction on the Chinese political scene. The book reflects the attitude of the "CC" clique toward questions of economics, industrialization, western liberal thought and the revival of the "ancient virtues" with its emphasis on national defense and industrialization rather than on agrarian reform.

Chinese Reaction to "China's Destiny".

There is widespread and strong resentment against the book among Chinese intellectuals and some Kuomintang officials are reported as saying that the book was intended for Chinese consumption and not for foreign readers. It is the evident intention of the Kuomintang to make of the book a Party "Bible" as a companion text to the San Min Chu I of Dr. Sun Yat-sen. Kuomintang praise of and publicity for the book, has been extravagant.

As an example of Party publicity for the book, there is transmitted herewith a translation of a special article from the *Central Daily News* (Kuomintang organ) and a translation of excerpts from two other articles published by that journal.⁷³ In the special article the writer states that the book has carefully described the defects of liberalism and communism; that western nations may misunderstand

⁷² *Foreign Relations*, 1940, vol. iv, p. 265.

⁷³ None printed.

the book when a translation is published because of their idealization of liberalism; that even if they do misunderstand, "it is impossible for us to abandon our thoughts to follow them"; that each country has its own national conditions; and that "we oppose liberalism" but do not blindly and radically attack liberalism or individualism. The article goes on to quote the Generalissimo as saying "therefore, I hope that for the interests of the country and for the preservation of the nation, all will with one heart and one mind join together under the creed of the San Min Chu I and unite unanimously under the organization of the Chinese Kuomintang". In one of the two articles, a translation of excerpts from which are enclosed, Tao Hsi-sheng states that "although we have often received directions from the Generalissimo's speeches, his books or proclamations, yet the projection or [of?] a whole policy is hard to find. In the future, we shall have a source (*China's Destiny*) to which we may turn." In the third article the writer states that "after the San Min Chu I, the best text book for political education is the Generalissimo's *China's Destiny* . . ."⁷⁵ From this book all youths may get most accurate instructions."

The volume of criticism of the book among Chinese intellectuals has been tremendous and in some cases extremely frank. Many of them have refused to read the book and others have felt that the Generalissimo is setting himself up as a "Sage" as well as a "Hero" and has thus invaded a field for which his background and intellectual attainments have not equipped him. They feel that he lacks vision and progressiveness and that the limitations of his intellectual capacities are clearly shown in this book. They are discouraged in that the Generalissimo should now endeavor to become an arbiter of morals and a philosopher and fear the increasing encroachments on liberal thought at the hands of those close to the Generalissimo. Dr. Sun Fo is reported by several sources as having made the following statement which may be taken as typical of comment in regard to the book: "The book criticizes communism; communism is the state philosophy of our ally, Soviet Russia. It criticizes liberalism; liberalism is the state philosophy of our allies, the United States and Great Britain. The book does not criticize Nazism and Fascism; these are the state philosophies of our enemies, Germany, Japan and Italy."

Communist representatives at Chungking state that the Communist Party has instructed its members to read the book as the best possible source of propaganda for their cause.

Foreign observers criticize the book as biased and antagonistic toward foreigners. Some foreigners state that it represents a perni-

⁷⁵ Omission indicated in the original.

cious misuse and misinterpretation of history for political purposes and feel that it might be beneficial both to China and to friendly nations to have an English translation published, thereby revealing the Generalissimo in his true light and thus bringing to other nations a full realization of the forces controlling China. Americans close to the Generalissimo admit the book is suitable only for middle school students or party members and deplore the anti-foreign bias of the book. In this connection, there is enclosed a copy of a memorandum of conversation⁷⁶ with an American member of the Ministry of Information translating section who has been closely connected with the unpublished translation of the original Chinese text.

Of more lasting importance than the anti-foreign tone of the book are perhaps the political beliefs held by the Generalissimo and his attitude toward liberal thought and western democratic forms of government as shown in the book. One Chinese comments that the book shows that the Generalissimo is really a Fascist at heart.

Publication and Distribution.

China's Destiny is published by the Cheng Chung Book Company (the name is a reversal of the characters of the Generalissimo's complimentary given name) which is controlled by the "CC" clique. Most of the books published by this company are political and party propaganda and books of the size of *China's Destiny*, with poorer print and paper, are usually priced at Ch\$20. The book, which is priced at Ch\$5, is obviously heavily subsidized. The copy being forwarded with this despatch is the 130th printing of the popular edition dated March 1943 and while no information is available in regard to the total number of copies printed it may be estimated at between 500,000 and 1,000,000. Free copies of the book are said to have been distributed to Kuomintang and Central Government officials. The Embassy finds that the sale of the book at Chungking ceased several weeks ago but has been unable to discover the reasons therefor. Some Chinese state that orders have been given to stop the sales but no confirmation of such report can be obtained from the bookstores.

The Embassy feels that *China's Destiny* is likely to make difficult the betterment of Sino-foreign relations in so far as the Chinese people are concerned. The resurrection, at a time when a nationalistic China is emerging, of wrongs done to China and their biased presentation to the Chinese people cannot be conducive to a better understanding of the foreigner on the part of the Chinese masses who will inevitably be given the book as Party propaganda. The masses will be nurtured on propaganda and denied a free press and, in the absence of any impartial portrayal of China's past relations with the

⁷⁶ Not printed.

foreign powers, may be expected to be free of desirable influences which might break down the always latent mistrust of foreigners.

The Generalissimo's insistence on Kuomintang rule to the exclusion of any share in the government by other political parties and his denial of western liberalism should serve to convince all Chinese of liberal tendencies that there is little hope for them from the Kuomintang. The prestige of the Generalissimo has been greatly lowered in the eyes of the intelligentsia who in the past have felt that he served as a unifying force in China and that his concern was for political and military power. Now that he has emerged as what they term "a sage", they are discouraged to find him arrayed against them along with the already known reactionary elements of the Kuomintang.

The Generalissimo's identification of himself as the leader of the Party rather than of the nation has further lowered his prestige among Chinese liberals, but there exists in China a large number of persons who form the nuclei of the various party organs (such as the San Min Chu I Youth Corps, the Central Training Corps, Central Political Institute, Boy Scouts, police training schools, and the *gendarmerie*), who for the most part have had no contact with the outside world and who may be expected to accept blindly the material in this book. There should be included among this number many provincial officials who, while perhaps outside the fold of the Kuomintang, are probably equally receptive to the anti-foreign and political propaganda contained in *China's Destiny*.

As the book is being adopted by the Kuomintang as the source, along with the San Min Chu I, of all that the Party and its leader stand for, it may be conjectured that the book will perhaps serve a useful purpose in that the issue is now more clearly joined between reactionary and liberal forces in China than before its publication. By reason of it there now exists a declaration by the Generalissimo himself of the principles for which he stands and the policy which he intends to follow. Out of the discouragement of liberal elements in China there may grow a more solid opposition to the Kuomintang and there may eventually arise the leadership which is at present lacking. The only concrete opposition at present lies in the Chinese Communist Party and *China's Destiny* may serve the cause of all liberals in China, as the Communist Party feels it does for its cause, as the best possible source of propaganda.⁷⁷

Respectfully yours,

GEORGE ATCHESON, JR.

⁷⁷The Chargé summarized this despatch in his telegram No. 995, June 22, 4 p. m. (893.44 Chiang Kai-shek/102), and gave extracts "from the more reactionary portions of the book" in his telegram No. 996, June 22, 5 p. m. (893.00/15052). For Department's comment on the subject, see memorandum of August 9, p. 310.

893.105/95

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

No. 1224

CHUNGKING, May 31, 1943.

[Received June 25.]

SIR: I have the honor to refer to despatches nos. 1184 of May 14, 1943,⁷⁸ and 1194 of May 18, 1943, transmitting reports⁷⁹ from Second Secretary Drumright at Chengtu concerning friction between the Central Government and Szechwanese provincial interests, and to transmit copy of a memorandum⁷⁸ by Second Secretary John S. Service relative to the same general subject.

Summary: Recent difficulties between the Central Government and Szechwanese vested interests, a continuation of the friction which has existed since the Government moved to Szechwan, have been so serious as to necessitate the visit of Dr. H. H. Kung, Vice President of the Executive Yuan and Minister of Finance, to Chengtu to consult Szechwan leaders. The Szechwanese have four demands: a Governor suitable to them; equal treatment for provincial troops; local control of capital development; and reduction of land tax in kind and compulsory purchase of grain. Faced with the importance of Szechwan as the chief base of the government, the possibility of unrest, and the power for obstruction of the powerful local interests, the Central Government will probably make some concessions on at least the second and fourth points.

Respectfully yours,

GEORGE ATCHESON, JR.

761.93/1725

*The Consul at Tihwa (Clubb) to the Chargé in China (Atcheson)*⁸⁰

[Extracts]

No. 11

TIHWA, June 5, 1943.

SIR: I have the honor to refer to my despatch No. 3, April 22, 1943⁷⁸ in regard to the movement of National Government troops into Sinkiang Province, and to report that the regiment of Soviet Russian troops heretofore established at Hami, and Russian military and economic advisers to the Sinkiang Provincial Government, are being withdrawn to the Soviet Union.

Summary: The withdrawal evidently comes in the first instance as a result of early Chinese initiative, but the Russian version has in it a suggestion that the extent of Russian withdrawal may come in

⁷⁸ Not printed.⁷⁹ Enclosures not printed.⁸⁰ Copy transmitted to the Department by the Chargé in China in his covering despatch No. 1272, June 19; received July 15.

part from a Russian decision. There are indications that present developments may not be ultimately uniformly beneficial to China. The original Chinese move appears to have been rooted in a belief that the U. S. S. R. would either succumb to, or be very seriously weakened by, German military action against the Russian Army. The present indications are that such belief may not be more valid in 1943 than it was in 1942, and that in fact future developments in Europe may leave the Soviet Union free to begin reconstruction and fresh production while China is still at war. China has in the past received benefits from barter agreements, which included the extension of credits to China, with the Soviet Union. The Chinese political, and economic, situations are alike such that it stands in need of much assistance still [*sic*]. One form of assistance desired by China is military action by the Soviet Union against Japan, others comprise transport facilities, technical assistance, and goods. It is not in any event likely that war will at present break out between Japan and the Soviet Union, unless one or the other feels that such a war is an ineluctable necessity. If the present developments in Sinkiang result from something in the nature of a political contest between China and the Soviet Union, it is only logical to anticipate that in future the Soviet Union may prove somewhat less inclined to be of assistance to China—even where it might be able to assist. This situation affects the United States, which in the first place is presumably desirous that the Soviet Union at least maintain a “cooperative” attitude vis-à-vis United Nations interests in the Pacific area, and which in the second place is now being looked to by China to supply goods not at present available from the Soviet Union—as well as other materials. It is to be concluded that the National Government’s current move may not be an unmixed good for either Sinkiang or China; that perhaps it would have been a more profitable approach, politically, if the National Government had approached the Sinkiang problem more carefully. *End of summary.*

The situation affects the United States in more ways than one. It is presumably granted that it is in the ultimate interest of the United States, in the present circumstances, that the Soviet Union maintain an attitude which is at least “cooperative” vis-à-vis United Nations’ interests in the Pacific area. China’s policies vis-à-vis the Soviet Union, and the consequences they bear for American interests in the Pacific, are therefore of direct concern to us for political reasons. It is to be noted in addition, however, that the Chinese side is evidently now inclined to rely upon the United States, to the exclusion of the Soviet Union insofar as possible, economically as well as politically. In the present circumstances, Chinese hopes of economic assistance from the United States cannot be fully realized, if for no other reason than lack of transport facilities. I believe it probable that the Sinkiang Provincial Government was told by Chungking leaders in 1942 that American goods would enter the province to take the place of the Russian goods now lacking. It nevertheless appears unlikely that electrical machinery, et cetera can be obtained from the United States by Sinkiang in the near future any more than from the

Soviet Union. It is true that Sinkiang has not received any cotton-goods from the Soviet Union for the past year; however, interior China needs such textiles itself, and probably would not trans-ship any large amount to Sinkiang even if they were to be received from India or the United States. The basic premise of the Chinese side, by deduction that the Soviet Union is economically on its knees and that the United States is coming to the front with supplies of all categories for China, therefore places upon the United States an onerous burden which we have not sought and probably would not want in its entirety.

Long-term forecasts are admittedly not warranted under wartime conditions, where so many new—and often unexpected—events occur in rapid succession to change the general picture. It is further to be noted that the Chinese are moderately adept, in a myopic way, at trimming their sails to fit the political winds that blow, and they will probably endeavor to make adjustments as developments occur. In the light of recent developments, however, it should not be considered surprising if 1) Sinkiang's currency, now linked with the Chinese national currency, with the opening of the economic door into interior China, should in due course reach the same low level of the currency inside the Wall; 2) there should occur in Sinkiang, instead of continued implementation of the provincial Three-Year Plan, a goods famine which in certain categories would be more severe than in interior China itself;* 3) the Soviet Union should in future prove somewhat less sympathetic and less helpful as regards those of China's economic and political problems in respect to which it might be in a position to lend assistance; and 4) those elements of Chinese sympathy for the United States which are based upon misconceptions or unbalanced exaggerations should deteriorate or quite disappear when we fail—as seems inevitable—to perform fully the tasks the Chinese themselves have set up for us. It will be realized, of course, that the last-cited hypothetical development would in fact most probably leave Sino-American relationships on a firmer, healthier basis than at present.⁸²

Respectfully yours,

O. EDMUND CLUBB

* Sinkiang presumably will not undergo actual want in terms of food, rough native cloth, fuel, et cetera, unless the transport facilities of the National Government are developed to the point where drainage out of provincial products on a large scale becomes possible; however, the province needs machinery, cotton-goods, matches, cigarettes, sugar, medicines, and transport equipment. [Footnote in the original.]

⁸² In a memorandum dated August 20 Mr. Augustus S. Chase of the Division of Far Eastern Affairs invited attention to "the final paragraph of the Consulate's despatch in which are recapitulated the possible effects for China and for the United States of China's precipitate action to eradicate Russian influence in Sinkiang." The memorandum was initiated by the Chief of the Division of Far Eastern Affairs (Ballantine), who underscored the word "precipitate".

893.00/15038

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

No. 1241

CHUNGKING, June 8, 1943.

[Received June 25.]

SIR: I have the honor to transmit a memorandum⁸³ by Second Secretary John S. Service describing the unfavorable reaction among Chinese intellectuals to the increasing tendency of the Generalissimo to interfere arbitrarily in cultural matters and to the strict censorship and cultural control of the Kuomintang.

Scholars have traditionally formed a privileged and very influential class in China. They have had an importance far out of proportion to their numbers. The treatment which they have received during the past few years has caused them to lose "face". Most of them, having had a modern education, dislike the present reactionary trend of that part of the Kuomintang (the C-C group) which controls education and propaganda and is apparently aiming at the exclusion from China of all but Western scientific knowledge. They especially resent the Generalissimo, whom they regard as a poorly educated man, setting himself up in statements to the people and in books such as the recent *China's Destiny*, as a "sage".

If, as seems to be the case, the Generalissimo and the Party have lost prestige and influence among the intellectuals, the effects may be expected to be felt among the people as a whole.

Respectfully yours,

GEORGE ATCHESON, JR.

893.00/15048

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

No. 1248

CHUNGKING, June 9, 1943.

[Received July 3.]

SIR: I have the honor to transmit herewith copy of a memorandum⁸³ reporting the views of a young, but fairly prominent, Chinese journalist concerning the dangers in the present situation in China.

Summary: Many of the members of the present government do not expect the defeat of Japan for at least four years. Because of the rapidly deteriorating economic and military situation in China, and because they now despair of significant assistance from America or Russia, these elements believe that China cannot continue to fight Japan for any such period. Their resolution is being undermined by the Japanese "appeasement" of Wang Ching-wei, by a definite military threat through Hunan and West Hupeh, and by periodic

⁸³ Not printed.

offers of peace terms—the last of which was brought to Chungking by Wu Kai-hsein. The Government, he feels, in fact cannot continue to fight the war in the present way. Fundamental reforms are necessary or there inevitably must be some compromise with either Japan or Wang Ching-wei. In his opinion, the present reactionary government will never carry out these reforms: The only political group which could do so is the Political Science Group, which, unfortunately to his mind, is now out of favor and in a subordinate position.

The views here expressed are undoubtedly pessimistic. But they are believed to be significant as being those of an intelligent and well informed man whose business is political observation. They are a reflection of the obvious discouragement in Chungking among liberals and progressive minded officials.

The Political Science Group, on which this observer pins his hopes, is, as the Embassy has reported (see Embassy's despatch No. 553, dated July 30, 1942⁸⁴), not a true political party but rather a loose aggregation of administrators and career officials of somewhat similar interests and views. Most of them are foreign trained and tend to be "Western" in attitude and their approach to political, social and economic problems. Not, generally speaking, very liberal—or even greatly concerned with political theories—they can at least be called more "enlightened" than the present groups which appear to dominate the government. It is quite likely that they might give China, as the informant thinks, a better government than the country now enjoys, and bring about certain needed agrarian, taxation, conscription and anti-inflationary reforms. They might even be willing—though many of their number are by reputation strongly anti-Communist—to re-enter into cooperation with that party. But to hope for their being given control of the government, in the face of present trends within the Kuomintang and the government and their own recent loss of important positions, seems to fall a little short of political realism. —

Respectfully yours,

GEORGE ATCHESON, JR.

761.93/1720 : Telegram

The Ambassador in the Soviet Union (Standley) to the Secretary of State

Moscow, June 15, 1943—10 a. m.
[Received 1:45 p. m.]

663. The following telegram, signed Ward,⁸⁵ has been received from Vladivostok.

⁸⁴ *Foreign Relations*, 1942, China, p. 211.

⁸⁵ Angus Ward, Consul General at Vladivostok.

"65, June 11, 11 a. m. Chang, my Chinese colleague, informs me in confidence that the Chinese Consulate[s] at Alma Ata, and Ixhan [*Ili and?*] Semipalatinsk and Tashkent, as well as that at or near Minusinsk, which until recently ignored the Chungking Government and recognized only the Sinkiang government, have now placed themselves under the Chungking Government. From some of his remarks I gather that this change was made at the instance of or with the assistance of the Soviet Government for the purpose of improving Moscow-Chungking relations. The pro-Sinkiang elements among the staffs of the above mentioned Consulates are being dispersed among the pro-Chungking Consulates (a Consul at Alma Ata is being transferred to Vladivostok as Vice Consul and the Vice Consul here is being sent to Minusinsk as Consul). The Consulates at Novosibirsk, Chita, Blagovyeshchensk, Khabarovsk and Vladivostok have been and remain pro-Chungking. Chang himself is an ardent Chungking supporter. The release of large numbers of Chinese who have been imprisoned in Siberia, principally in the Kolyma River basin, is further indication of the desire of Moscow to improve relations with Chungking. Released Chinese prisoners are stated to be passing eastwards through Novosibirsk en route to Tashkent and other Central Asian points at the rate of approximately 15 daily. The greater portion of these prisoners were, I am told, refugees who fled from Manchuria to Siberia during the Japanese invasion of 1931-1932. They were arrested, imprisoned and sentenced to penal servitude of several years for having entered the Soviet Union illegally. Upon completion of their sentences and after being at liberty for several days they were again arrested and sentenced for violation of police registration regulations. (Practically none of the refugees possessed passports.)"

Repeated to Chungking.

STANDLEY

800.00B Communist International/300

*Memorandum by Mr. Augustus S. Chase of the Division of
Far Eastern Affairs*

[WASHINGTON,] June 16, 1943.

Information received by the Department indicates that the differences between the Chinese Communists and the Chinese National Government at Chungking are probably of too fundamental a nature to be susceptible of adjustment by amicable negotiation. While an armed clash does not yet appear imminent, it is increasingly apparent that Chungking is determined to liquidate the Communists, and that, if the extreme anti-Communist elements in the Kuomintang retain their present influence, Chungking will not hesitate to attempt to suppress the Communists by force at some favorable opportunity.

The attitude of the Soviet Union toward the dispute is of course a factor of vital importance, upon which the outbreak and the outcome of civil war between the Chinese Communists and Chungking might well depend.

Information on the recent relations between the Chinese Communists and the Soviet Union is extremely limited and provides no indication of the extent to which the Soviet Union has supported, and might continue to support, the Communists in their present conflict with Chungking. Reports from available sources in China throw no light on the subject. However, it does not appear that the possibilities of obtaining information from sources in Russia have been exhausted.

The attached draft telegram to Moscow⁸⁸ has been prepared in the light of the foregoing considerations. It is believed that such an effort to elicit what information on this subject may be available to the Embassy is timely in view of the recent dissolution of the Comintern.

800.00B Communist International/300 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Standley)*

WASHINGTON, June 18, 1943—9 p. m.

455. The Department would be interested in any indications of the effect which the dissolution of the Comintern may have on the attitude of the Soviet Union toward the so-called Chinese Communists and their relations with the Chungking Government. While it is realized that official statements will probably not be available, it is thought that something of interest might be obtained from newspaper editorials and from a study of news coverage of events in China. For example, a comparison of the volume and character of news concerning guerrilla operations of the Communists published prior to and after the dissolution of the Comintern might prove informative. If available please forward editorials and sample news items.

In this connection any information of the presence in Russia or departure therefrom of Chinese Communists (party representatives, students, et cetera) would also be of interest.

It is possible that, in lieu of the term "Chinese Communists", Soviet newspapers may employ other titles, including: Eighth Route Army; Eighteenth Group Army; New Fourth Army; Shensi-Kansu-Ningsia Border Region; Northwest Border Area; and guerrillas or partisans.

HULL

⁸⁸ Telegram No. 455, *infra*.

893.00/15054

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

No. 1267

CHUNGKING, June 18, 1943.

[Received July 15.]

SIR: There is enclosed, as an example of an unusually bitter attack on the Chinese Communist Party, a partial translation⁸⁹ of a special article from the May 27, 1943 issue of the Lanchow *Kansu Min Kuo Jih Pao* entitled "Two Attitudes Toward Religion", written by Pan Kung-chan, member of the Central Executive Committee of the Kuomintang.

The main points of the article are as follows: (1) Communism is in its nature fundamentally opposed to religion (to blame the Communist Party for opposition to religion is like blaming a prostitute for being unchaste). (2) The Kuomintang safeguards religion and is for that reason accused by the Communists of being out-of-date in its thinking. (3) The Chinese Communist Party has made an opportunistic and temporary change in its tactics with respect to religion. Apparently adopting a policy of toleration it in reality is attempting to destroy all religions by playing off one against another. The Chinese Communist Party has selected the Muslims for special attention, fostering the false idea that they constitute a separate race. They do this because the Muslims constitute a forceful and cohesive community which the Communists wish to pit against the Han Chinese; the Communist Party, in this respect, is like a person of cannibal habits who fattens children in order later to nourish himself with their roasted bodies. The writer then expresses his confidence that the Muslims, being intelligent, will surely distinguish who is their savior and who is Satan, who is false and deadly and who symbolizes truth and love.

This article was presumably published in Lanchow because of that city's large Muslim population and its location near Communist-controlled territory.⁹⁰

Respectfully yours,

GEORGE ATCHESON, JR.

⁸⁹ Not printed.⁹⁰ In a memorandum dated July 27 Augustus S. Chase of the Division of Far Eastern Affairs made comment on the contents of the article: "It is an hysterical outburst which gives the impression of being inspired less by sincere conviction in the assertions made than by anxiety over the influence of the Communists among Chinese Mohammedans."

893.00/15042 : Telegram

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

CHUNGKING, June 24, 1943—2 p. m.

[Received June 26—11:40 a. m.]

1012. 1. In a recent conversation with an officer of the Embassy General Lin Piao, Communist Party representative from Yen-an, made comment in regard to Kuomintang-Communist relations as follows:

Chiang Kai-shek, during a conference on June 6 with Lin and General Chou, Communist Party representative at Chungking, informed them that his views regarding the differences between the two parties had not changed; that is, the Communist Party should give up its government and army, the party to be given the choice of joining the Kuomintang or of becoming a minority party like other parties now existing in Free China. (Although Lin came to Chungking in October 1942 at the invitation of the Generalissimo, as reported [by] Embassy's 654, May 6, 10 a. m., Lin has seen Chiang only three times and has been waiting for this final interview for more than 6 months.) The Gmo did not present other terms as a basis of discussion of differences.

Lin and Chou plan to depart for Yen-an within a few days to discuss matters with Communist leaders there. The former is not optimistic that a settlement can be reached but he does not, on the other hand, think that a clash is imminent. He is of the opinion that the Gmo will have to take into consideration a world trend toward democracy arising from the anticipated United Nations victory and that Chiang will not attempt liquidation of the Communists by force even after the war, although he admits that such a possibility cannot be completely dismissed.

2. According to an informed source close to the Communist Party, Lin and Chou are returning to Yen-an at this time in order to obtain Communist agreement for some statement to be released at Chungking on July 7, the anniversary of the beginning of the Sino-Jap war, indicating that Kuomintang-Communist relations have improved. This informant states that Chou feels the need of acquainting himself at first hand with conditions at Yen-an and of giving the Communist leaders the real picture of the situation at Chungking. Lin and Chou are proceeding with four truck loads of non-military supplies, two of them medicines. (The Central Government authorities have not heretofore permitted the shipment of medical supplies to Yen-an for some time.)

3. During the conversation above mentioned Lin made the following additional remarks: general developments in China now depend, and after the war will continue to depend greatly, on international

developments (for example, American air victories in China boost Chinese morale and spirit and strengthen the hands of the Chungking Government against the puppets and dissident provincial elements). China can and will continue to resist Japan because the Chungking authorities realize that a negotiated peace with Japan would bring civil war and worse conditions than those which exist at present and because they feel assured of a United Nations victory. Chungking's lack of military effort against Japan is to be adversely criticized. The Central Government favors a Jap attack against Soviet Russia (this is unlikely) which would require troop withdrawals from China and permit Chungking to occupy the evacuated areas including North China. Liberal elements exist in China, even in the Kuomintang, and this gives hope for the future of democracy here.

ATCHESON

711.93/533

*Memorandum by the Second Secretary of Embassy in China (Davies),
Temporarily in the United States*

THE AMERICAN STAKE IN CHINESE UNITY: PROPOSALS FOR
PRELIMINARY AMERICAN ACTION

Summary

The following memorandum discusses the basis of the present hostility between the Central Government of China and the Chinese Communists. It goes on to examine the probable culmination of this mutual antipathy in civil war. The conclusion is reached that, if civil war occurs, the Soviet Union will probably go to the support of the Communists and the United States will find itself backing the Central Government and so set against Russia.

In view of the risks to the United States implicit in the present trend toward civil war in China and in view of our complete lack of official information, both political and military, from the Chinese Communist area, it is recommended that a consulate general be established in Chinese Communist territory and that a military observer's mission also be sent to that area. These two recommendations are preliminary actions. Any decision regarding a more positive policy toward the Central Government and the Chinese Communists should probably await and be based upon intelligence from the political and military observers.

The Chinese Communists

The Chinese Communist Party was formed during the early 1920's as a workers' party. With Russian support the Party grew in

strength. Chiang Kai-shek's 1926 northward campaign from Canton to the Yangtze valley—the campaign by which he came into power—was Communist in character. The Party political leaders, with their Russian advisers, set up a government at Hankow. Shortly after, in 1927, Chiang turned against the Party, having formed an alliance of power with Shanghai big business and banking interests. From that time onward until the establishment of the united front he attempted to crush the Communists.

Under pressure from Chiang's troops the Hankow regime collapsed and the Communists were dispersed. The Russian advisers returned to the Soviet Union. The Communists then operated as a primarily agrarian movement in a number of small rural areas in central and eastern China. Their principal center embraced several counties in southern Kiangsi Province.

The Generalissimo visited Sian in December 1936 in connection with his plans for further campaigns against the Communists. At Sian he was kidnapped by Manchurian elements under the command of Marshal Chang Hsueh-liang. The Communists interposed in the negotiations between the Manchurians and Chiang and as a result there was established, following the release of the Generalissimo, a united front. By the terms of the agreement the Communists recognized the Generalissimo as the leader of all China, including Communist China, in united resistance to further Japanese encroachments. They abolished the Red flag and administrative and military terminology which would suggest that they were a separate government. They retained, however, a wide degree of administrative autonomy in that portion of Shensi Province which they occupied.

In the first year and a half of the Japanese invasion of China, Chiang, generally speaking, lost in north China the urban centers and lines of communications to the Japanese and the rural areas to the Communists. Most of the Central Government officials in areas through which the Japanese passed fled or went into the services of the enemy as puppets. By this process the Chinese Communists have come to control more territory than they ever have.

Present Communist area is estimated by American military sources to total about 120,000 square miles. It is further estimated that approximately 25,000,000 people are now living in Communist-controlled territory. The strength of the Communist Eighth Route Army is placed by American military authorities at 60,000–100,000. The Communists themselves claim that they have well over 1,000,000 men under arms. This figure, which is probably an exaggeration, includes guerillas and armed peasants.

Chinese Communist policy appears to have followed the Comintern line. In its initial expression the policy adhered to the program of

world revolution. With the Comintern's abandonment of this program, the Chinese Communists embraced in 1935, in compliance with Moscow directives, the policy of the united front.

The new line, so far as it applied to Asia, was in all probability prompted by the Kremlin's realistic appraisal of the Soviet Union's position in the Far East. Russia was threatened by Japan. The Japanese Army had with its Manchurian adventure apparently decided upon a policy of continental expansion. Confronted by a strong Russian Army in eastern Siberia, the Japanese seemed to be intent upon outflanking the Russians through China. China could not be expected to offer strong resistance to Japanese expansion so long as it was torn by internal dissension. It was therefore evident that China should become unified and actively resist Japanese pressure westward.

As the Chinese Communists moved away from world revolution to nationalism they also moved in the direction of more moderate internal political and economic policy. Whether these other moves were in compliance with Comintern dictates is less material than that they were historically and evolutionarily sound.

The Communists have for some time admitted that China cannot make an immediate transition from its present political and economic forms to communism. They maintain that China is a semi-feudal agricultural country and that before it can attain to communism it must pass through a period of bourgeois democratic nationalism. Their immediate aims are therefore the realization of democratic processes in China. In economic life they advocate the retention of private ownership and individual enterprise.

Foreign observers (including Americans) who have recently visited the Communist area agree that the Communist regime in present policy is far removed from orthodox Communism; that it is administratively remarkably honest; that popular elections are held; that individual economic freedom is relatively uncurbed; that the regime appears to have strong popular support and that it is described less accurately as communist than as agrarian democratic.

The trend toward nationalism is believed to be strongest among the troops and guerrillas who have been fighting the national enemy. Although we have no accurate information on the subject, it is suspected that the political leaders of the Party retain their pro-Russian orientation and that they are, notwithstanding the dissolution of the Comintern, likely to be susceptible to Moscow direction. This probable schism within the Party may prove at some later date to be of major importance.

The Central Government

The Central Government of China is based upon the political theory of Sun Yat-sen that, as China is not prepared for democracy, it must

pass through a period of political tutelage. Political tutelage is entrusted to the Kuomintang, the Chinese Nationalist party. Through corruption of the original intent of Dr. Sun, the party has become a mechanism whereby its members are placed and retained in office rather than as a mechanism preparing for popular participation in government.

Official position is appointive rather than elective. Nepotism and favoritism are rife. Graft and bribery are commonplace. Among officials of the lower-income brackets this is so because their salaries are inadequate to maintain a decent standard of living. Corruption among the higher officials springs largely from the Chinese tradition that graft is a perquisite of office and not necessarily dishonorable.

There is on the part of the average Kuomintang Government official a striking lack of social consciousness, of public trust and duty. This was revealed most recently by the Government's callous attitude toward the people of Honan during the famine which occurred this spring in that province. The Kuomintang's Central Government has, in short, done little to change the traditional attitude of the Chinese people that the Government is something to be endured rather than positively supported.

For the reasons outlined in the preceding three paragraphs it may be said that the Central Government does not have a popular base. This is in contrast to the relations reported to exist between the Communist administration and the people.

Chiang Kai-shek, as distinguished from the Kuomintang and the Central Government which he dominates, is viewed with respect and admiration as the sole national leader. He has this hold because he personifies the national will to resist Japanese invasion and because he successfully maintains the fiction that he is above politics.

The truth is, however, that he is deeply involved in politics. He maintains his paramount position in the Government in the same manner that he attained it—by political manipulation of the various factions in the Kuomintang, in the Army and among various semi-autonomous provincial leaders. To this extent he rules by a system of balance of power.

By the same token he is, in a sense, a political hostage to the corrupt system which he manipulates—he cannot institute sweeping reforms without destroying the balance.

His present paramount position in the Central Government is perhaps more secure than it ever has been. But it is not so strong that at some later date he may not be challenged by a faction which may obtain control over a powerful military force.

The domestic picture thus far drawn is fairly clear-cut. It is one of contrast between and rivalry between Chiang's Central Govern-

ment and the Chinese Communists. Other factors, however, are also to be considered. One is economic deterioration, which some observers believe may culminate in collapse of the Chiang regime. Such a collapse is not beyond the realm of possibility. But what pattern it would follow is difficult to predict. The most likely pattern would seem to be disintegration into sectionalism with areas along the periphery of Japanese control going over to the enemy and other sections remote from Chungking developing a regional autonomy. Such a situation might so weaken Chiang's position as to render him vulnerable to an attempted *coup d'état*.

Chiang is aware of this risk. He is combatting it by attempting to ensure the economic well-being of the Central Government and Kuomintang bureaucracy. The bureaucracy is given special rice allowances. And as economic conditions become worse, greater emphasis is laid on party discipline. If Chiang is able to maintain the present economic level of the bureaucracy and the army and if he and the Kuomintang are able to maintain party discipline, he will probably be able to preserve his position despite continued economic deterioration. The citizenry may suffer, as the Honan peasants did this spring, but that will not necessarily mean the collapse of the regime.

Another threat to the Generalissimo is the liberal and anti-Kuomintang element in Kuomintang China. This element is understood to be fairly articulate in southwest China. Chiang is also aware of this risk. He is combatting it by secret police methods; through intimidation and regimentation of the intellectuals. It is safe to say, however, that in general the liberals are now so weakened through suppression and economic distress that they constitute only a contingent threat—that is, a threat contingent upon their being able to join forces with some more powerful dissident element, military or civilian, that may arise to challenge Kuomintang control.

Basis for Conflict

Grave as the threat of economic deterioration and collapse may be, they do not involve in the overall picture as great a risk to us as does the continuing rift between the Central Government and the Chinese Communists. The basis for this rift and potential conflict is discussed in the following three paragraphs.

The Kuomintang and Chiang Kai-shek recognize that the Communists, with the popular support which they enjoy and their reputation for administrative reform and honesty, represent a challenge to the Central Government and its spoils system. The Generalissimo cannot admit the seemingly innocent demands of the Communists that their party be legalized and democratic processes be put into practice. To do so would probably mean the abdication of the Kuomintang and the provincial satraps.

The Communists, on the other hand, dare not accept the Central Government's invitation that they disband their armies and be absorbed in the national body politic. To do so would be to invite extinction.

This impasse will probably be resolved, American and other foreign observers in Chungking agree, by an attempt by the Central Government to liquidate the Communists. This action may be expected to precipitate a civil war from which one of the two contending factions will emerge dominant.

Foreign Involvement

If Chiang and the Communists were to fight a civil war without external aid to either side there is little question that, unless it had by then been rendered impotent by the exhaustion of the prolonged war against Japan and by the centrifugal tendencies referred to above, the Central Government by sheer weight of arms would be able to crush the Communists. Such an eventuality is, however, unlikely for the reasons mentioned below.

It would only be natural that, should Chiang attack the Communists, the latter would turn for aid to their immediate neighbor, the Soviet Union. And as such an attack would probably not be launched until after the defeat of Japan, the Communists might expect with good reason to receive Russian aid.

This would be so because following the defeat of Japan Russia would no longer be threatened on its eastern borders, because the Kremlin's present need of Chiang Kai-shek's cooperation would have passed, because Stalin would then presumably prefer to have a friendly if not satellite Chinese Government on his flank, and because the Soviet Union would then have surplus arms in abundance for export.

A Central Government attack would therefore in all probability force the Communists into the willing arms of the Russians. The position of the political doctrinaires who have been subservient to Moscow would be strengthened by such an attack. The present trend of the Chinese Communists toward more or less democratic nationalism—confirmed in six years of fighting for the Chinese motherland—would thereby be reversed and they could be expected to retrogress to the position of a Russian satellite.

In these circumstances they would not be a weak satellite. With Russian arms, with Russian technical assistance and with the popular appeal which they have, the Chinese Communists might be expected to defeat the Central Government and eventually to take over the control of most if not all of China. It may be assumed that a Russo-Chinese bloc, with China as a subservient member of the partnership, would not be welcomed by us. The effect of such a bloc

upon the rest of Asia and upon world stability would be undesirable.

Chiang Kai-shek and his Kuomintang lieutenants fully realize the risks of an attack on the Communists. This may explain the reported statements of high officials in Chungking that they must prepare not only for the coming civil war but also for the coming war with Russia. Chiang and his Central Government recognize that they cannot defeat the Communists and the Soviet Union without foreign aid. Such aid would naturally be sought from the United States and possibly Great Britain.

We are of course already supplying Lend-Lease war materials to China. All of this equipment is being channelized to the Central Government. None of it goes to the Communists. Ironically enough Russian military supplies to China, also delivered only to the Central Government, have reportedly been given to the 400,000 Central Government troops now understood to be blockading the Communist territory—and thus immobilized in the war against Japan. American Lend-Lease supplies may be expected ultimately to be used for a similar purpose.

American Lend-Lease equipment already delivered and to be delivered during the future course of the war will probably, however, not be sufficient to guarantee a Central Government victory in a civil war in which the Russians would be aligned against Chiang. In these circumstances we may anticipate that Chiang Kai-shek will exert every effort and resort to every stratagem to involve us in active support of the Central Government. We will probably be told that if fresh American aid is not forthcoming all of China and eventually all of Asia will be swept by communism. It will be difficult for us to resist such appeals, especially in view of our moral commitments to continued assistance to China during the post-war period.

It is therefore not inconceivable that, should Chiang attempt to liquidate the Communists, we would find ourselves entangled not only in a civil war in China but also drawn into conflict with the Soviet Union.

Thus far we have scrupulously refrained from giving advice to the Chinese Government on this dangerous internal situation in China. The most we have done was cautiously to express concern over the Central Government's attempts during the winter of 1940-1941 to crush the "Communist" New Fourth Army. Mr. Welles reiterated this view in general terms during October 1942.⁹¹ Meanwhile Madame Chiang Kai-shek is appealing to the American people over the head of the President and the Chinese Foreign Minister is residing in Washington and frankly attempting to influence the formulation of American foreign and military policy.

⁹¹ See memorandum prepared in the Department of State, October 12, 1942, *Foreign Relations, 1942, China*, p. 248.

Suggested American Action

We cannot afford to incur the risk of our present hands-off policy toward China. It is a policy of drifting with the course of events. We need a more positive policy, one in which we shall have a larger degree of control over the shaping of our own destiny in Asia. But before we can with assurance formulate such a policy—indeed, even before we can with any precision assess the risks confronting us in the Kuomintang-Communist rift—we must have our own official sources of information in the Communist area. The final decision on policy waits on this information.

No American civil official has visited the Chinese Communist area and no American military observer has traveled in it since 1938. We have been dependent upon unofficial travelers for our information about the Chinese Communists. While it has served to construct a consistent and probably accurate picture, it is not information which carries as much assurance as official intelligence. Certainly, if there is to be a turning on the part of the Chinese Communists toward the Soviet Union, we shall want the information of the first symptoms to come promptly and accurately. And that can be only from a skilled American political observer in Communist territory.

The Communist representative at Chungking, General Chou En-lai, has indicated on several occasions that an American political observer would be welcomed in Communist territory. The Generalissimo would probably not be sympathetic to a request for the despatch of a political observer to or the opening of a consulate general at Yen-an, the Communist "capital". He would, however, probably agree if we placed the request on the grounds of obtaining information and doing everything possible in regard to the welfare of Americans in Japanese-occupied North China and if we were insistent in our request.

Parenthetically it may here be observed that we have a stronger bargaining position with Chiang Kai-shek than we seem to be willing to acknowledge. He cannot desert us without disastrous result to himself and most of his principal supporters. We can, on the other hand, accomplish our immediate objective in Asia—the defeat of Japan—without his aid. We may have to in any case.

We need not only political information from the Communist area. We need also military information—an accurate estimate of Eighth Route Army and guerrilla strength, their present potential effectiveness against the Japanese, their future potential against the Central Government and an accurate estimate of what we ourselves may be able to do against the enemy in North China. It would therefore seem desirable to request the Central Government for permission to despatch a military observer's mission to Communist territory.

The request could be based upon the necessity in planning operations against the enemy for a military survey of North China. It

might be pointed out that North China is an area of major strategic importance in the war against Japan; that it is that part of China closest to Japan; that we now have no airfields in North China; that we wish to survey in that area possible airfield sites; that the main strength of the Japanese Army is in Manchuria and North China; that we shall therefore probably have to fight the major action against the Japanese Army in North China; that it is therefore necessary for our Army to have first-hand information regarding conditions in North China; and that we wish to plan sabotage activities in North China.

The most effective approach to the Generalissimo with regard to the despatch of political and military observers to the Communist area would be from the highest American level in Washington through the Chinese Foreign Minister. It is felt that negotiations on this subject conducted by our representatives in Chungking would not carry so much weight as if they were initiated in Washington. It is assumed, of course, that, before making any move with regard to a military observer's mission, General Stilwell's approval would be sought. It is likely that he would support such a proposal.

JOHN DAVIES, JR.

[WASHINGTON,] June 24, 1943.

893.00/15056

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

No. 1295

CHUNGKING, June 26, 1943.

[Received July 16.]

SIR: There is enclosed a copy of despatch No. 1 of May 26, 1943, from the Consulate at Kweilin ⁹² in regard to the seizure and detention by the Chinese Special Service Police at Kweilin of Mr. Sa Kung-liao, a former newspaper manager and editor.

Mr. Sa is described in the despatch as a well-known liberal who has for some years been associated with movements unsympathetic to the Kuomintang and who has consequently been on the Kuomintang's blacklist. Formerly manager of a liberal publication at Hong Kong, he has been living in retirement at Kweilin since the fall of Hong Kong.

It is stated in the despatch that his seizure arose from the circumstance that he introduced two Chinese residents at Kweilin suspected by the Kuomintang of receiving funds from the Soviet authorities for subversive activities to two Soviet military officers of the Soviet

⁹² Not printed.

Embassy at Chungking during the latters' recent visit to Kweilin. (It is rumored at Chungking that Mr. Sa was "guilty of giving too many dinners for foreigners" and that he was considered to be successively a spy for the British, the Soviet Russians and the Americans.) The Consulate's informants believe that the charges against the two suspect Chinese are patently false. Shortly after Mr. Sa introduced the two parties to each other he was kidnapped by the Special Service Police and taken to a concentration camp where he is said to be detained pending the receipt by the Police of further instructions from Chungking.

It is indicated in the despatch that this action has convinced liberal elements at Kweilin that any open criticism of the Central Government authorities will be ruthlessly suppressed, by illegal means if necessary. These elements maintain that the conflict is not merely between the Kuomintang and the Communists but between the Kuomintang and all dissenting groups in China regardless of their importance.

The Embassy is of the opinion that this reported action is but further evidence of the Kuomintang's resolve to maintain its power by the suppression of any opposing elements. There does not now exist in China any political group, except for the Communist Party, which is of sufficient power and importance effectively to oppose the Kuomintang. The Communist Party strongly believes that its army represents the only guarantee against its liquidation. Due to the present lack of any important liberal group and to the widespread use by the Kuomintang of its secret police, it would seem to be extremely difficult for any movement among purely liberal and democratic groups to make any progress in their efforts to achieve a position of power so long as that position threatened the control of the Kuomintang.

Any effective threat to Kuomintang control as exerted at present would, therefore, seem to be possible only from the Communists, from a break-up of the Kuomintang itself or from the withdrawal of support by various military groups within the army. Given the temper of liberal elements within China and with a continuation of present circumstances, the Communist Party might draw to it in a United Front effort the support of democratic groups in China. The Communists themselves feel that there are such groups with which they would be willing and able to cooperate and which may in time be driven to such action by the Kuomintang's present policy. A split-up of the Kuomintang or the ascendancy to power within the Party of its more liberal elements with the consequent decrease in the influence of the reactionary "CC" clique would similarly represent an improvement in the position of all liberal elements in China. The possibility of military factions striving for control after the war

cannot, however, be dismissed, for with the continued conserving of Chinese military strength, which is now felt by many observers to exist, and the delivery to the Chinese armed forces of additional Lend-Lease equipment those who control the armies will be in a strong position to dictate terms to any opposing group. Such an outcome of the struggle for power in China is viewed as a distinct possibility by some Chinese who add that Generalissimo Chiang Kai-shek would not in any case be eliminated from the scene but would remain as a symbol for those in power. There seems, however, at present, and probably until the end of a war from which China will emerge as one of the victorious United Nations, little likelihood of any change in the Kuomintang attitude and policy toward the liberal elements and in the existing political set-up.

Respectfully yours,

GEORGE ATCHESON, JR.

761.93/1720 : Telegram

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

WASHINGTON, June 29, 1943—3 p. m.

823. Reference Moscow's telegram no. 663, June 15, 10 a. m. (which was repeated to you) quoting Vladivostok's telegram no. 65, June 11, 11 a. m.

The Department would like to have any information you have or may be able to obtain on this subject.

HULL

893.48/4055 : Telegram

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

CHUNGKING, June 30, 1943—noon.

[Received July 1—noon.]

1059. Honan famine. In a despatch dated June 14 the Embassy officer at Sian comments on Honan famine conditions as follows:

American and other observers feel that the worst of the famine is over but that rehabilitation problems will be stupendous. A good wheat harvest assures sufficient food and if the ample rainfall during the spring is followed by seasonable showers in the summer the fall crops of kaoliang, millet, maize and beans should be good. Although the famine conditions are ended, people are still dying in large numbers from malnutrition and recurrent fever (epidemic in some districts).

Foreign relief committees have ceased direct relief except in desperate cases and are concentrating on aid to orphans, widows and transients (transients are coming into unoccupied Honan from Hopei and occupied Honan due to failure of wheat crop there and this now constitutes one of the chief relief problems) and on free medical aid to transients. Relief committee at Loyang plans to embark on social rehabilitation program in the autumn when conditions may be worse than at present with return of further refugees who left Honan during the famine. The people have been scattered, much of the land has been bought up by wealthy landlords, homes have been destroyed and the killing of livestock has been a severe blow to the farmers. The foreign relief committee obtained a grant from the Chinese Government for the purchase and distribution of animals in areas where livestock had been slaughtered but recent reports indicate that Chinese troops stationed in those areas have been taking away the animals.

The heavy concentration of troops in Honan has been a heavy burden on the people through their oppression of the population, heavy exactions and plundering. The cost of living is still high but flour, which sold for Ch\$1,000 a bag of 30 pounds at height of famine, is now \$160. Foreign missionaries in Honan live on meager fare, not being able to afford meat and fruits.

ATCHESON

893.00/15074

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

No. 1310

CHUNGKING, June 30, 1943.

[Received July 24.]

SIR: There is enclosed a copy of despatch No. 3 of June 4, 1943, from the Second Secretary at Sian ⁹³ on the subject of conditions in Kansu.

According to the despatch, American missionaries have reported that when they left there in May conditions in Kansu remained upset with the highway from Lanchow to Minhsien closed to traffic. The latter town was reported to be the center of disturbances, led by one Ma Tien-hsuan, directed against Ku Cheng-lun, Chairman of the Kansu Provincial Government. It is stated in the despatch that in all probability the people in Kansu are restive over conscription practices, taxes and the rising cost of living as well as increasing National Government control of the province. According to a Chinese source, six divisions of Chinese troops were being sent into Kansu to quell the disturbances.

⁹³ Not printed.

Troops seen on the road from Sian to Lanchow by American observers were understood by those observers to be en route to Sinkiang. While well-equipped with rifles and machine-guns, their morale and physical condition appeared to be poor.

Respectfully yours,

GEORGE ATCHESON, JR.

893.00/15072

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

No. 1312

CHUNGKING, June 30, 1943.

[Received July 24.]

SIR: There are enclosed a copy of despatch No. 2 of June 3, 1943 from the Second Secretary at Sian and a copy of a memorandum, transmitted therewith,⁹⁴ of a conversation with General Hsiung Pin, Chairman of the Shensi Provincial Government. The despatch and memorandum deal with conditions in Shensi and with the Chinese communists, whose principal base is in the northern part of that province.

It is stated in the despatch that Shensi has been subjected to a very heavy drain on its supply of foodstuffs because, as a result of the Honan famine, it has had to provide a larger proportion of the food required by the large military concentrations in the northwest, which according to a Chinese source include twenty armies in Shensi and eastern Kansu alone. Prices in Shensi have been very high and the people increasingly restive, but peace and a measure of stability thus far have nevertheless been maintained there.

According to General Hsiung, the communists are enveloped on three sides by National Government forces and for that reason have been unable to expand their special area in northern Shensi. He stated that their armaments are inferior, that they are inactive against the Japanese and that as a result of their poverty they have led a very bitter existence and have been forced to produce opium for shipment to occupied areas. General Hsiung said he did not believe the communists could gain control of North China and Manchuria when the Japanese withdraw therefrom because they lack sufficient military strength and popular support and because the puppet forces under the command of Wang Ching-wei, with whom the National Government is in touch, will cooperate with the latter in opposing the communists.⁹⁵

Respectfully yours,

GEORGE ATCHESON, JR.

⁹⁴ Neither printed.

⁹⁵ In a memorandum dated August 13, 1943, Augustus S. Chase of the Division of Far Eastern Affairs observed: "Of especial interest is General Hsiung's virtual admission that the Chungking Government has an understanding with Wang Ching-wei's puppet forces which calls for joint opposition to the Communists following the withdrawal of the Japanese from north China and Manchuria."

761.93/1728

Memorandum of Conversation, by Mr. Robert S. Ward of the Division of Commercial Policy and Agreements

[WASHINGTON,] July 2, 1943.

Last night at a small informal dinner at the Statler Hotel, I sat next to Major General P. T. Mow.⁹⁶ In the course of the evening Mow told a story from Chinese history of one of the great states taking advantage of a war between two smaller countries to allow them to exhaust themselves, whereafter the great state was able to take them both over. He had spent a year, he said, in Russia in 1925-26 studying military science there, and speaks Russian. Russia, he asserted, was to blame for the present war.* If she had not made a non-aggression pact with Germany, Germany would not have dared to fight in Europe and she was, he felt, to blame for Pearl Harbor also, because she had made a non-aggression pact with Japan prior to the latter's attack. Japan would never have struck at the United States "if she had had to leave her back door open".

Of lend-lease shipments to Russia by boat, he alleged that about two out of five go ultimately to Japan. Japan was supplying Russia with rubber in return.

General Mow went on to say that he was in Chungking when Willkie⁹⁷ was there; when one of the guests interrupted to ask him if it was true that China was receiving as much aid from Russia as Willkie said—there was supposed to have been a line of trucks fender to fender on the road through Hsinkingiang bringing supplies to China—Mow replied, "I don't think so. I don't think there was a single truck. On the contrary," he said, "Russia is getting stuff from China. She wants Chinese wool."

When Mow was last in China he went one morning to see H. H. Kung. Mr. Kung was sick in bed and very angry. The Russian Ambassador⁹⁸ had just left, having insisted on seeing Kung about a very important matter which turned out to be the arrangement for payment for wool purchases. The Russians were determined, Mow claimed, on paying for these shipments at the New York price, i. e., the lowest one, and at the official rate for Chinese currency, while they themselves bought this Chinese currency on the black market in China. Meanwhile, Mow claimed, for the gasoline which the Chinese were

⁹⁶ Of the Chinese Purchasing Commission.

* This and other statements made by the General are quoted here not because they are believed to be true—the General himself must suspect the accuracy of some of them—but because of their importance as the reflection of an attitude of mind.—rsw [Footnote in the original.]

⁹⁷ Wendell Willkie, Republican nominee for President in 1940, who visited China and other countries in behalf of the war effort in 1942.

⁹⁸ Alexander Semenovich Panyushkin.

purchasing from the Russians they had to pay the current price in Chungking.

In 1938, Mow alleged, Russia had sent emissaries to Hsinking, where they forced Sheng Shih-tsai to sign an agreement giving to Russia all the tin in Hsinking province. Again last fall when Baku was threatened and Russia thought that she was losing her oil supply, she forced Sheng to sign another agreement leasing all the oil. In the negotiations for this agreement Sheng wired the Generalissimo and was told that China wanted to keep on friendly terms with Russia. Thereafter, however, two Russian tanks crossed the Hsinking border, according to Mow, and Sheng, after having reported the matter to Chungking, threatened to close all Russian offices in Urumchi. The Russians thereafter became conciliatory and a settlement was reached, Mow indicated, on a basis of a 50-50 division of the oil between Russia and China.

Asked by one of the guests if he believed Russia would lend her territory to the United Nations for use as air bases against Japan he replied that he felt certain that she would not do so, that she had no interest in helping America against Japan.

To another question as to whether he believed Russia would attempt to seize Chinese territory when she was free to do so, he replied, "Sure she will." He then drew a rough sketch map of China locating the province of Hsinking on it, and asserted that Russia planned (or was engaged in?) building air fields in southern Hsinking from which she intended, he claimed, to attack India.

He then went on to say that what Russia wanted was an outlet through the Persian Gulf—that if she went through the Baltic to the English Channel she would just be going through the English Channel (by which he meant that the channel would always be controlled by England) and that by going out through Vladivostok she would just be going through the Sea of Japan. At the Bosphorus there was Turkey (barring the way). But the Persian Gulf was relatively more open, and (according to Mow) until she was attacked by Germany "Russia hoped that an Axis victory would give her the Persian Gulf."

General Mow also said that Russia had shown her hand in her attack on Finland and Poland, and if she had just been able to restrain herself in Bessarabia her plans would have worked out, but she moved too rapidly.

Russia's real object, according to Mow, was the spread of the doctrines of Communism. She wanted to make, he said, all other countries Communistic. The dissolution of the Comintern meant nothing; Russia no longer needed it: "The glass was already cracked."

General Mow claimed that a ranking American officer who had recently returned from Chungking had predicted that Russia would

show a definite interest in Northern Manchuria at the close of the war, and he recalled that when Matsuoka left Moscow after signing a nonaggression pact with Russia, Stalin saw him off at the station. That was, he said, a very rare thing and indicated how Russia felt toward Japan.

In comment on these observations three things may be noted—first, General Mow comes from Fenghua, General Chiang Kai-shek's home town. He attended the Whampoa Academy in Canton when Chiang was its president, and after Chiang came back from Moscow he went there. These associations with the Generalissimo are sufficiently close to suggest that Mow probably reflects the point of view of an influential group in the Chinese Army if not in fact that of the Generalissimo himself.

A second point of importance is the fact that all through the evening General Mow talked as if he considered Russia China's enemy rather than Japan. An outsider, listening to the conversation, would not have imagined that the guests were all of them nationals of countries at war with Japan; he would have concluded that Russia was the antagonist.

The third point of almost equal significance was the sympathy with which General Mow's remarks were received by the other guests. Everyone present except myself expressed at one point or another the heartiest approval of the General's statements. As an instance of this feeling, another of the guests, a high ranking officer of a war-time agency in Washington, expressed relief that a shortage of shipping would delay some of the lend-lease supplies which were going to Russia.

893.00/15043 : Telegram

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

CHUNGKING, July 2, 1943—9 a. m.

[Received 4:55 p. m.]

1066. Embassy's 1012, June 24, 2 p. m. In a despatch dated June 14 the Embassy officer at Sian reports information received from informed local military officials confirmatory of previous reports that there are large concentrations of Chinese troops at [*in*] Shensi, Honan and Kansu provinces; that the function of these troops is, in addition to guarding against Japanese incursion, the enforcement of a blockade against Chinese Communists in North Shensi; that the troop concentrations extend from Tungkwan, Honan province, southwestward through Sian and in a semi-circle into eastern Kansu at least as far as Kuyuan (east of Lanchow); that in the north the Communists are contained by Ninghsia Provincial and National Gov-

ernment troops; and that the blockade maintained against the Communist area is apparently as stringent as ever.

According to the informants cited, the Communists control all of Shansi north of Taiyuan except for some towns and lines of communications. The informants admitted the Communists have not recently clashed with Central Government troops and made the familiar accusation that the Communists employ unfair method in expanding the area under their control. One of the informants stated that there had been minor withdrawals of Japanese troops from Shansi and replacement of them by puppet forces with which the Central Government forces were in "constant contact".

ATCHESON

761.93/1722: Telegram

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

CHUNGKING, July 3, 1943—noon.

[Received 12:07 p. m.]

1079. Embassy's 939, June 16, 10 a. m.⁹⁹ In a despatch of June 15, Clubb at Tihwa reports that the Governor of Sinkiang has informed him that roughly three-fifths of the Soviet troops formerly stationed in the province had already reached the Soviet Union; that one-fifth were in movement toward the Sinkiang-Russian border; that the remaining fifth were temporarily in Hami; and that the Russian Air Force planes had not yet left and would probably comprise the last unit of the Soviet military establishment to depart. Governor Sheng stated also that all of the Soviet military and technical advisers had left Tihwa and that while some were still in other points in the province awaiting transportation they had ceased functioning.

According to the special Commissioner for Foreign Affairs at Tihwa, the Soviet troops and advisers were being withdrawn upon initiative of the USSR Government. The Commissioner stated that the Chinese had not requested that the Soviet troops be withdrawn and had in fact, upon learning of the proposed withdrawal of the advisers, endeavored to persuade the Soviet Government to continue the latter in service in Sinkiang. The Commissioner added that the advisers, whose number he gave as 112 for the entire province, had not exercised any political authority in Sinkiang.

Despatch follows.

Repeated to Moscow.

ATCHESON

⁹⁹ Not printed, but see despatch No. 11, June 5, from the Consul at Tihwa to the Chargé in China, p. 249.

761.93/1723 : Telegram

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

CHUNGKING, July 4, 1943—1 p. m.

[Received July 4—11:50 a. m.]

1087. Moscow's 663, June 15, 10 a. m. and Department's 823, June 29, 5 [3] p. m. Under date of June 22 the Embassy made telegraphic request of the Consulate at Tihwa for information on this subject and is now telegraphing the Consul to expedite his report.

On July 1 an officer of the Soviet Embassy in conversation with officers of this Embassy confirmed in general statements made in Moscow's reference telegram as to allegiance of Chinese Consulates but was vague and uninformative as regards Chinese imprisoned in Siberia.

We will endeavor to obtain further information.

Repeated to Moscow.

ATCHESON

893.00/15049 : Telegram

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

CHUNGKING, July 6, 1943—10 a. m.

[Received July 7—4:22 p. m.]

1097. 1. Well informed Chinese has given an officer of the Embassy the following account, with his comment, of the Kuomintang-Communist negotiations and the return to Yen-an of General Chou En-lai, Communist representative at Chungking, which were discussed in Embassy's 1012, June 24, 2 p. m.

(a) During the recent negotiations at Chungking Chiang Kai-shek offered Chou and General Lin Piao, Communist representative from Yen-an, terms as follows:

The Communist Party to be accorded legal status with the right to establish its party organization throughout China provided it gives up its border government at Yen-an and the district governments under its control and places its army under the command of the Central Government. (Communist army units would then be scattered throughout Free China.) Chiang requested that he be given an answer by the end of August and stated that in the absence of acceptance by the Communist Party he would be forced to take "appropriate steps". The People's Political Council is scheduled to meet in September and if the Communist Party rejects the proposed terms the Council is expected to issue a statement denouncing the Communists for their obstructive tactics.

(b) The Communist Party is adopting a firm stand and it is unlikely that it will accept these terms. Future developments will then depend largely upon the international situation. If the Burma Road is reopened and the Central Government's army received sufficient equipment to enable it to become a factor in driving the Japs from China, Chungking should be able to regain possession of the North China area. The Communists would then be in no position to oppose strong Central Government forces and the Kuomintang-Communist problem would no longer exist (by inference the Communists would be liquidated). If the Central Government troops are not sufficiently well equipped to become a factor in the defeat of Japan and if Jap withdrawals from China are caused by pressure from American and British naval and other forces, the Chungking Government will not be sufficiently strong to reoccupy North China and will instead be faced with a Communist occupation of that area and Manchuria. The Central Government would then not wish to bring matters to a head by attacking the Communists for fear of criticism that it had fomented civil war in China. The Communist Party would be well advised to accept Chiang's proposals as it then would gain the good will of the people through this evidence of its willingness to cooperate for unity.

2. The informant is strongly nationalistic and his views may be assumed to represent at least partially those of the Chungking Government. They are at any rate indicative of the intention of the Kuomintang to obtain by one means or the other the removal of the Communists as a factor of any importance in China and in some respects they support the contention of the Communists that the Central Government's appeals for military aid derive as much from the Government's desire to liquidate the Communist army as they do from a desire to defeat the Japanese.

ATCHESON

761.93/1724 : Telegram

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

CHUNGKING, July 7, 1943—2 p. m.

[Received July 9—10:12 a. m.]

1116. Embassy's 1087, July 4, 1 p. m.

(1) Following is substance of statements made to member of Embassy staff by a Counselor of Chinese Embassy in Russia recently arrived here via Sinkiang:

Central Government "took over" the five Sinkiang-Soviet border Consulates beginning last November but only personnel transfers involved were Consul at Alma Ata and Zaisan. Beginning last year

Soviet has gradually released "several thousand" (exact number could not be obtained by Chinese Embassy in Russia) Chinese who have been interned in Siberia. There are still probably one or two thousand detained. In addition some 20,000 Chinese are living and working in the Soviet Union.

(2) Tihwa reports that information there indicates that Chamuein [*change in?*] status of Chinese border Consulates was due to initiative of Chinese Foreign Office.

We are asking Tihwa for more comprehensive information.

Repeated to Moscow.

ATCHESON.

893.00/15050 : Telegram

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

CHUNGKING, July 8, 1943—noon.

[Received 1:17 p. m.]

1125. 1. The secretary of General Chou En-lai, Communist Party representative at Chungking, called July 7th and offered an officer of the Embassy information and comment regarding recent developments in the Kuomintang-Communist situation as follows:

(a) The Communist representatives at Chungking have received a report from Sian that General Hu Tsung-nan has recently transferred seven divisions of Central Government troops including an armored unit from the Honan area south of Yellow River to Lochwan (near border between Kuomintang and Communist areas in Shensi). They have received a report from Yen-an quoting a telegram which General Chu Teh, Commander-in-Chief [of] Communist area, sent on July 4th to General Hu in which Chu warns of the harmful results of civil war and protests against massing of Central Government troops in this area. (The informant states that there were already approximately 14 divisions of Central Government troops in that region and that the troops of General Yen Hsi-shan are stationed east of this area in Shansi.) The Communist Party representatives at Chungking have sent a copy of this telegram to General Chang Chih-chung, Director of the Political Training Board of Ministry of Military Administration, and to Dr. Wang Shih-chieh, Chief Secretary General of the People's Political Council. The Communist newspaper at Chungking was not permitted to publish the message of the Communist Party prepared for the double seventh (July 7) special edition. Generals Chou and Lin Piao whose plans for a return to Yen-an were reported in Embassy's 1012, June 24, 2 p. m., are now somewhere between Kwangyuan (north Szechuan) and

Paochi (railhead in Shensi) en route to Sian. It is not believed that they are aware of these developments although Chou prior to his departure from Chungking predicted that the Central Government might be expected to exert pressure of this sort in order to settle Kuomintang-Communist differences.

(b) While Chiang Kai-shek's permission must have been obtained for the transfer of these troops to border area and while it is not believed that the Kuomintang desires at present to come to an outright clash with Communists, there is a possible danger that the situation may develop along lines similar to those at time of the New Fourth Army incident in January 1941 when local commanders of Central Government troops acted against the Communist troops without prior reference to the Chungking authorities.

(c) The Central Government feels that it is in position to "black-mail" its allies in the matter—that is, the Central Government considers that it can adopt an openly harsh attitude against Communists without risk of open criticism or interference by China's allies because of the latter's fear of giving offense or of injuring their relations with China in any way which might adversely affect the Central Government's willingness to keep at war with Japan. American, British and Russian failure to interfere with such action by the Chinese Government would be in the nature of a "concession" in order to keep China in the war. Soviet Russia has in a sense made one such concession by its withdrawal from Sinkiang. The Communist Party would also be compelled to make concessions of some kind in order to prevent civil war and in order to avoid condemnation by United Nations. General Chiang probably feels that the dissolution of Comintern has given the Kuomintang a freer hand with the Communists and this feeling together with the above described situation has resulted in his stronger attitude toward the Communists. Pressure on Communists for their acceptance of Kuomintang terms may be expected to continue and perhaps to grow stronger.

2. Following is the substance of the telegram sent by Chu to Hu on July 4, a copy of which the Embassy obtained from a reliable additional source.

Begin summary. It is generally said that the Central Government plans to utilize the opportunity offered by the dissolution of the Comintern to attack the Communists. You have brought many troops from Honan and are sending ammunition and food to this area. Since your arrival in the Lochwan-Ichun area there have been many evidences of military activity. You have urged your generals to make preparations for an attack. There is danger that civil war may break out at any time. At a time when our war against Japan is at a difficult stage, everything should be done to maintain unity. National unity and national resistance would suffer irreparable harm from a civil war which will benefit only Japan. This unexpected change in the situa-

tion has greatly surprised us and leaves us in doubt. Please reply.
End summary.

We have been reliably informed that Chu again despatched the telegram to Hu on July 6 as he had not at that time received a reply.

3. Although this situation undoubtedly has serious aspects, the Embassy is of the opinion that the Central Government is not likely under present circumstances to undertake direct military action against the Communists, first, in general, because of the adverse reaction which could be expected to result among the United Nations, particularly in the United States and Britain, upon whom China depends for the defeat of Japan, direct military aid and assistance in Chinese post-war reconstruction plans; and, second, specifically because of the effect on Chinese relations with Soviet Russia and Chinese continuing hopes that Russia will eventually enter the war as an ally of China against Japan. It seems improbable that the Kuomintang leaders will wish to be responsible in the eyes of the United Nations for causing civil war, and the reported massing of Central Government troops would appear to be a form of pressure upon the Communists to accept Kuomintang terms which is not intended to extend to the point of actual conflict.

ATCHESON

893.00/15081

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

No. 1330

CHUNGKING, July 8, 1943.

[Received August 4.]

SIR: With reference to the Embassy's despatch no. 1312 of June 30, 1943, concerning conditions in Shensi Province, there is enclosed a copy of a memorandum² of conversation with Dr. Basu, a member of the Indian Medical Unit in China, in regard to conditions in the Communist-controlled areas in north China.

Dr. Basu is a member of the Indian Medical Unit sent to China by the Indian National Congress Medical Union in 1938. Following the fall of Hankow in October 1938 and the subsequent threat to Ichang, the group proceeded under orders of the Chinese Army Medical Corps to the north China area where it remained until the time of the New Fourth Army Incident in January 1941 when the Indian National Congress, at the request of the Central Government, recalled the Unit to India. Dr. Basu, who was then in the Wutaishan area, did not receive the orders for his recall until a later date and, feeling that his services were badly needed by the Communist troops in that area, did not leave north China until May 1943.

² Not printed.

Dr. Basu states that economic conditions in the Communist-controlled areas are now considerably better than in 1942 and that the general price level is about half that obtaining at Chungking. The serious shortage of many commodities and foodstuffs in 1942 impelled the Border Government (Communist) at Yen-an to release all government officials, except the most essential, and many of the troops for service in industrial and agricultural productive units. Central Government troops maintain a fairly effective blockade of the Communist-controlled areas which is directed particularly toward preventing cotton and iron from reaching the Communists. Some supplies of these materials do, however, get through the blockade, perhaps with the connivance of the Central Government troops.

The Communist troops are said by Dr. Basu to confine their military operations against the Japanese to defensive action as they are not sufficiently well-equipped to assume the offensive. The Communists pay particular attention to the establishment of strong bases, economically and politically, in the areas which they occupy, for without the support of the people it is impossible for them to operate behind the enemy lines. As evidence of the popular support the Communists enjoy he cites many Communist-controlled areas behind Japanese lines and points out that Central Government troops are not found in such areas chiefly because their oppression of the people deprives them of the support of the people necessary for their existence in those areas. Political support of the people is obtained through the establishment of representative governments in Communist-occupied districts which are elected by the vote of the people and in which the Communist representation is limited to one-third, the remaining two-thirds being shared by Kuomintang members and non-party persons. Economically, the Communists encourage the organization of cooperatives and home industries which prevent raw materials, particularly cotton in the Communist areas in Hopei, reaching the Japanese and provide commodities for the people.

The absence of any comment on the part of Dr. Basu critical of Communist activities is perhaps partially the natural result of four years' work in the Communist areas among people with whom he may feel sympathetic from the standpoint of a person who himself opposes in India a ruling class. (He claims, however, that he is a member of the Indian National Congress Party and not a Communist.) At the same time, it is worth noting that all foreign observers (and the majority have not been Communists) who have lived or traveled in the Communist-controlled areas in recent years have had much the same reaction to Communist activities there as that of Dr. Basu. There is doubtless a studied effort on the part of the Communists to show foreigners only the favorable side of the situation there, but one cannot escape the conclusion that, without regard to the ultimate

aims of the Communist Party in China, the Communists are following a policy which has increased their standing among the majority of people in the areas which they control.³

Respectfully yours,

GEORGE ATCHESON, JR.

893.00/15059 : Telegram

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

CHUNGKING, July 9, 1943—4 p. m.

[Received July 17—4:45 p. m.]

1136. Embassy's 1125, July 8, noon. Admiral Yang, Chief of Chinese Intelligence, has been very helpful to our Naval and Military Attachés and has inspired them with confidence in his judgment and in the general accuracy of his statements (he frequently contradicts those of the military spokesman). He is often called upon in high places to give the determining opinion in regard to developments. My personal relations with him are in nature of those of an old friend of many years standing. We accordingly consider that information and comment from him are worth attention.

I have had opportunity to mention to him casually that we have heard rumors of possible trouble with Chinese Communists. He confirmed the report that considerable bodies of troops had been moved into Shensi but stated categorically that Central Government forces had no intention of attacking Communists. He said that Government felt that "blockade" was necessary to prevent expansion by Communist troops and border government and that there was no question that the Communists continued to be under influence from Moscow, thus incidentally throwing into relief the continuing suspicions of Russian motives which exist in many important quarters here. He expressed the opinion that an open Kuomintang-Communist conflict would not occur at any time pending conclusion of the war but intimated that he felt such conflict was almost inevitable after the war.

ATCHESON

³ In a memorandum dated August 10, Augustus S. Chase of the Division of Far Eastern Affairs made the following comment:

"There is little new information in the memorandum, but the following points are perhaps of especial interest:

"Despite the Central Government's blockade of the Communist areas, some wool and iron get through to the Communists, perhaps with the connivance of the Central Government troops. As far as Dr. Basu knows, there is no truth in the charges that the Communists are cultivating opium in Shensi. The Communist Army's spirit is superlative. Its total strength is about 500,000-600,000. Increased production has solved the Communists' food problems. The chief problem is an acute lack of medicines. The Communists manufacture their own mortars and rifles from steel rails taken from Japanese-controlled railways. They can carry on defensive war indefinitely."

800.00B Communist International/309: Telegram

*The Ambassador in the Soviet Union (Standley) to the
Secretary of State*

Moscow, July 10, 1943—noon.
[Received July 11—6:05 a. m.]

838. Department's 455, June 18, 9 p. m., regarding attitude of Soviet press toward Chinese Communists since dissolution of Comintern.

Red Star for July 7th published a 4-column survey by Colonel Tolgegov [Tolchenov] of 6 years of the Sino-Japanese war. This is the only Soviet press item appearing in recent months to the Embassy's knowledge pertinent to the Department's inquiry.

Most of the article factually summarizes the results of military operations during the war. Events are periodized into two phases. In the first, to the fall of 1938, Japan was on the offensive in China. Since then Japan has been able to launch only limited operations.

The conclusion is reached that Japan failed to achieve her objective in China despite her advantages largely because the Chinese people achieved "unity of all the national forces of the country" against the threat to their political existence.

With the beginning of the Pacific war "the struggle in China became one of many fronts of the world war." The Chinese aid to the British at Hong Kong and in Burma is referred to. The loss of Burma is described as a grievous blow to China cutting her off from almost all help from her American and British allies.

The article points out, however, that China's general military situation has now improved since Japan is forced to concentrate her main forces in the Pacific and is not in a position to undertake large scale operations in the Chinese theater which is for Japan "of secondary significance."

The article refers frequently to the Chinese partisans. It regards their activities as a major factor making for successful Chinese resistance. Moreover, it declares that in the hinterland of much of the Japanese occupied territory the Chinese Government is still functioning "under the protection of partisan detachments."

The article is extremely cautious regarding political matters. Its omissions, however, may be significant. Thus, no credit for Chinese success is given to Chiang Kai Shek or other political leaders, none of whom are even mentioned. At the same time no political characterization of the partisans is attempted. To the improvements in the Chinese Army's tactics is attributed part of China's success. There is no explicit condemnation of Japan, but the pro-Chinese bias of the article is obvious.

The article pays tribute to the Chinese people. It refers to the partisans after 1938 as embracing "ever broader masses of the Chinese people."

It concludes, "The Chinese people continue courageously to fight for its liberty and national independence."

STANDLEY

893.00/15067 : Telegram

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

CHUNGKING, July 13, 1943—4 p. m.

[Received July 23—12:41 p. m.]

1173. Embassy's 1136, July 9, 4 p. m. According to Admiral Yang, Chou En-lai is now in Sian talking with General Hu Tsung-nan. Admiral Yang continues in his opinion that fighting will not break out as the Government realized that hostilities are not desirable from its point of view and as the Communists are not strong enough to take offensive action. He stated that, however, "some" Central Government troops have been moved into position as a precautionary measure.

According to Communist sources here, Central Government troops at one place recently fired several rounds of trench mortar shells at Communist outposts and were engaged in making reconnaissance of the topography of the region.

ATCHESON

893.00/15070 : Telegram

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

CHUNGKING, July 14, 1943—noon.

[Received July 23—3:37 p. m.]

1183. Embassy's 1173, July 13, 4 p. m., and previous. A Counselor of Soviet Embassy together with a Press Attaché of the Embassy, who acted as interpreter, called on me this morning "to exchange views" in regard to the Kuomintang-Communist situation. From his remarks it appears that the information in possession of the Soviet Embassy on recent developments is similar to ours, except the Counselor stated that Central Government troops had within the last few days fired on Communist outposts or positions in as many as 10 different places. He expressed the opinion that Chinese Government by moving more forces to the "border" area were probably hoping to exert pressure on Communists to accept Generalissimo's terms and that Government realized that it would not be desirable, from the point of view of China's international relations, to launch military attack

upon the Communist forces at this time. He expressed apprehension, however, lest civil war break out as a result of possible independent action by individual Central Government troop commanders and said that, according to his Embassy's information, the situation along the "border" was "very tense".

This approach by Soviet Counselor seems to us to be of interest, incidentally, because it is the first time within our recollection that Soviet Embassy has so unequivocally shown concern in the fortunes of Chinese Communists and because of the seriousness with which Soviet Embassy apparently regards the recent developments. We for our part are still of the opinion that Chinese Government is not deliberately planning to resolve the issue by resort to arms, but that there exists and will continue to exist so long as Central Government maintains large troop concentrations in the so-called "border area" a possibility that there may be precipitated some incident which conceivably might have very unfortunate results.

When occasion has arisen in private informal conversation with Chinese officials we have, of course, expressed the opinion that the outbreak of anything in the nature of a civil war in China would be most unfortunate; we do not, however, believe that it would be advisable or productive for us here to make any direct approach in the matter at this time. We have the impression that General Stilwell has endeavored for a long time to persuade the Chinese military authorities to move Hu Tsung-nan's troops, which are considered to be among the best and the best equipped of the Chinese Army to Yunnan or some other area where they might contribute something to the war effort, but the Chinese Government (the Generalissimo and his reactionary supporters) have remained adamant and are and will continue to be relentless in their efforts to eliminate the Communist question if they can do so without forcing the issue to the extent of open hostilities. (There are now possibly more than 400,000 Central Government troops in the "border" area and while the region is, of course, an important sector of defense against possible Japanese attack, even Chinese Intelligence officers admit that the immobilization there of such large numbers of superior troops is not justified for that purpose alone.

I would venture the opinion that a possibly effective way of influencing the Chinese Government in this matter (as well as in other matters) would be to furnish China with considerably increased air and other military aid (if this is practicable) or categorically to promise additional and precisely specified aid at a fixed date, and at the same time make it clear that such aid is furnished in the definite expectation that the Chinese Government by appropriate use of its troops and other resources would launch itself with determination into the war against Japan.

893.00E/1127½

*Memorandum by Mr. Raymond E. Murphy of the Division of
European Affairs*

[WASHINGTON,] July 16, 1943.

COMMUNIST SITUATION IN CHINA

In assessing the real importance of Communism (Stalinism) in China a person may often be led into error by oversimplification and by sentiment over the alleged idyllic existence in the area dominated by Chinese Communists.

In the first place, China belongs in that category of colonial or dependent countries with a scant percentage of skilled workers. As a colonial or dependent country the system of orthodox Marxism is not applicable and the various congresses of the Communist International have laid down programs for work in such countries giving wide latitude and great flexibility to the tactics to be applied. The principal objective always seems to have been to swing the communist elements in the countries concerned into the orbit of Moscow and to make as one of the fundamental duties of those alien Communists allegiance to the Soviet Union, in this respect to force their respective countries to subscribe wholeheartedly to Soviet foreign policy vis-à-vis any other country in the world. Because of the wide latitude given communist leaders in colonial countries a neutral observer can easily be mistaken with regard to the program and role of these parties. Superficially, they do appear to be moderate agrarian parties with a moderate program. The test to be applied, however, is how these leaders stand on various questions.

One would normally expect patriotic nationalist Chinese to be insistent upon major emphasis being given the war against Japan. Not so the Chinese communist leaders. The Chinese Communists saw nothing wrong in the German Soviet pact. On the contrary, the Chinese Communists echoed the sentiments of Communists throughout the world. To them the war was an imperialist war, with the United States and Great Britain as much at fault as Germany. Even after the entrance of the United States into the war the Chinese Communists have deliberately played up the major role of the Soviet Union and have minimized the efforts of both Britain and the United States. The Chinese Communists have never insisted upon major emphasis in the Pacific area and when Pearl Buck,⁴ in a speech last November or December, suggested that more attention might be given that area she was made the object of a smear campaign by American Communists, and, so far as is known, no Chinese Commu-

⁴ American novelist writing principally on Chinese subjects.

nist has ever come to her defense. Their whole line seems to be oriented along Soviet lines, rather than along Chinese lines essentially. It should not be overlooked either that the principal reporter for the past ten years on colonial questions has been a person known as Wang Ming, located in Moscow, who has faithfully reflected Stalin's views.

With respect to the Kremlin itself, there is too much of a tendency to regard the Soviet Union's chief immediate interest in China, so far as active interference is concerned, as having terminated in 1927. That is a grave mistake. Ample evidence exists to show that after the debacle in 1927 the interest of the Communist International and the Red International of Trade Unions continued actively, with principal emphasis on the presence in China, as communists agents, of nationals of other countries, especially persons bearing American passports. It is ironical, of course, that in the fall of 1927 Earl Browder,⁵ Tom Mann, the Englishman, and Jacques Doriot (then a French communist, now a Nazi puppet in France) toured China, inciting the Chinese against the foreign element. After that junket foreign agents were used by the Soviets. The raid of June 15, 1931 at Shanghai showed that active agents of the Communist International and of the Red International of Labor Unions had been operating from Shanghai for a number of years, not only against Chiang Kai-shek but also stirring up trouble against the United States and Great Britain and the Netherlands in the Far East. The budget showed that over a half million dollars a year was being spent. The leader of this group was a prominent Russian Soviet agent who assumed the identities of persons known as Noulens and Ruegg. His principal assistant bore an American passport in the name of Stewart. This man actually was Charles Krumbein, an American citizen, who is today one of the most prominent persons in the Communist Party of the United States.

Others active there were James Dolsen, Earl Browder's cousin, and Margaret Cowl, both American citizens. It appears that this raid temporarily broke up the foreign connections of the Chinese Communist movement, but in 1932 a prominent German Communist, Arthur Ewert, bearing an American passport in the name of Harry Berger and accompanied by another person bearing an American passport in the name of Walsh were in China intermittently between 1932 and 1933 attempting to reestablish contacts. (Ewert is now serving a sentence of fifteen years in Brazil as one of the chief leaders of the revolution in Brazil in November 1935). Even after 1932 there is evidence available showing that the Kremlin, using American citizens and dummy American firms, maintained active interest in covering conditions in China. Consequently, it is correct in stating

⁵ Later General Secretary of the Communist Party in the United States.

that the open Moscow maneuvers in China ceased in 1927, but it should always be borne in mind that their undercover clandestine efforts continued unremittingly thereafter.

The Chinese Communist Party is in very close touch with the Communist Party of the United States. The dissolution of the Communist International has in no wise changed the fundamental program of either Party. One of the chief sources for the conveyance of news regarding China throughout this Hemisphere is the Inter-continent News Agency at New York headed by Grace Maul Granich, who, it may be recalled, operated, with her husband, an especially virulent communist monthly at Shanghai in 1935 after Harold Isaac's venture had been abandoned. Grace Maul Granich is, in turn, the American agent for the Soviet Information Bureau which was started about May 1942 by Third Assistant Commissar of Foreign Affairs, Lozovsky, and is further regarded as one of the organs to take the place of the Communist International.

It is entirely conjectural, of course, but if Moscow feels it in her interest to bring about a cessation to the Japanese-Chinese war it is reasonable to believe the Chinese Communist Party will fall in line, likewise, the Communist Party of the United States. Both are creatures of Moscow today. Neither has ever taken a step contrary to the interests of the Kremlin. There is one school of thought which has made a close study of Soviet foreign policy, which is of the opinion that the Soviets' ultimate objective was the exclusion of the remainder of the white race from the Far East. Basic documents exist to substantiate this belief. It is known, however, that for short-range purposes the Soviets are guided principally by expedience, if it is in their interest, in the hope of securing major credits for the reconstruction of the Soviet Union. To remain friendly with the United States she may do nothing in the Far East. On the other hand, if she feels that the United States is in no position to help her after the conclusion of the war with Japan, she may strike out on the line long advocated by Lenin and subscribed to at times by Stalin, which is the exclusion of other white nations from the Far East.

If it is thought that the rank and file of the Chinese Communists can be won over from the leadership of Mao Tse Tsung and Chu Teh, it may be worthwhile to try it, but it will be a very difficult task. Probably the greatest missionaries for this purpose would be American soldiers themselves who, upon coming into direct contact with these elements, would prove by their example that all the propaganda and indoctrination of Communists that the United States is an imperialist, self-seeking nation was fabricated.

A very ominous note with regard to future Soviet relations with Chiang Kai-shek is contained in a telegram from the American

Embassy at Moscow, no. 838 of July 10, noon, which summarizes an article by a Soviet spokesman from the very authoritative *Red Star* for July 7, with regard to the Japanese-Chinese war. Principal credit for the resistance of the Chinese is attributed to the "partisans", another name for the Communists, and no credit is given to Chiang Kai-shek or other political leaders. This pattern is similar to the preliminary one undertaken against General Mikhailovitch of Yugoslavia in July 1942. Since that time bitter attacks have been made against Mikhailovitch on the grounds that he is an Italian agent. Practically all derogatory information from Soviet sources has been distributed in the United States through the Intercontinent News Agency.

893.00/15063 : Telegram

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

CHUNGKING, July 17, 1943—3 p. m.

[Received July 20—3:33 p. m.]

1214. 1. The secretary of Chou En-lai, Communist Party representative at Chungking, has furnished an officer of the Embassy the following information regarding Communist-Kuomintang developments in addition to that reported in Embassy's 1183, July 14, noon.

(a) On July 9 General Hu Tsung-nan replied to General Chu Teh's message (Embassy's 1125, July 8, noon) stating that the transfer of Chungking troops from Honan to the Central Government-Communist border regions in Shensi is not for the purpose of commencing military operations against the Communists but merely represents the sending of his second line troops to that area to relieve troops already stationed there. (The informant does not believe that there has been any withdrawals of Chungking troops from the region in question.) Hu also explained that he had gone to the Lochwan area to carry out a routine inspection of his troops. Chou and Lin Piao after being entertained by Hu at Sian departed for Yen-an on July 13 with the convoy of 4 trucks with which they left Chungking and which had undergone a rigorous inspection at Paochi, Shensi. General Chang Chih-chung, head of the military training board, has denied to the Communists at Chungking that there have been any Chungking troop concentrations in Shensi.

(b) Chiang Kai-shek suddenly called a meeting of the Standing Committee of the People's Political Council at Chungking on July 13 at which he stated the constitutional government would be established by the Central Government before the end of the war on two conditions: (1) "unification of military orders" (all armed forces under one command) and (2) "unification of governmental orders"

(all governmental authority under one head). There was no discussion of these points by the members of the committee present among whom was a Communist representative. [()Chou is expected to return to Chungking in time for the meeting of the People's Political Council scheduled for mid-September.) These points do not represent any general change in Chiang's attitude toward the Communists although it is the first time he has mentioned constitutional government since 1941. No change in the general situation is to be expected although the Communists are willing to make some concessions such as giving up the border government at Yen-an provided the local officials at the present Communist controlled districts are either Communists or Kuomintang officials friendly to the Communists. While Soviet Russia is sympathetic toward the Chinese Communists, there is no direct connection between the Chinese Communist Party and the Soviet Government and the latter is not giving any form of aid to the Chinese Communists.

2. It is not believed that the foregoing circumstances indicate any definitive change in the situation except that the recent tension is perhaps abating. Chiang's reference to constitutional government may be merely a buildup for the issuance of a manifesto by the PPC when it meets in September with a view to throwing the blame on the Communists for failure to reach a settlement of Kuomintang-Communist differences. Dr. Sun Fo (whose leanings are in general liberal) stated to me privately last evening his opinion, which tends to be in confirmation of ours, that the Chungking troop concentrations in the "border area" are for purposes of pressure on the Communists and that hostilities are not likely to result.

ATCHESON

800.00B Communist International/312 : Telegram

*The Ambassador in the Soviet Union (Standley) to the
Secretary of State*

Moscow, July 20, 1943—5 p. m.
[Received July 21—12: 05 a. m.]

896. Your 455, June 18, 9 p. m. The following telegram has been received from Kuibyshev:

326, July 10, noon. Your 197, June 21, 3 p. m. The Chinese Military Attaché, Major General Kuo Teh-chuan, says that during the year he has been in the Soviet Union he has seen no reference whatever to the Chinese Communists in the Russian press. Insofar as he has been able to ascertain they have during this period had no representative in Kuibyshev or Moscow. He does not think the Chinese Communists are longer receiving supplies from the Russians.

He knows that no supplies are passing through Kinsuang [*Sinkiang*] where Central Government authority has been established and Chungking representatives are now present and he does not believe that transportation through Mongolia is practicable. A similar statement concerning the cessation of Russian assistance to the Chinese Communists has been made by the Ambassador and other members of the Chinese Embassy staff. They professedly believe that some time before the dissolution of the Third International there had been a radical change in Soviet policy toward China, citing as evidence particularly the altered situation [in] Sinkiang which is obviously most gratifying to them.

STANDLEY

893.50/313 : Telegram

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

CHUNGKING, July 21, 1943—9 a. m.
[Received July 22—6:50 a. m.]

1240. 1. Chungking correspondent *New York Times* informs us Chang Tao-fan, Information Minister, asked him call July 17 connection with despatch filed by the correspondent subject Kuomintang-Communist differences reported Embassy 1214, July 17, 6 [3] p. m. During 3½ hours' conversation, Minister described in detail "history" of Chinese Communist Party; stated Communists had always been guilty of pillaging, murdering Chinese people, rebellion against Government and oppression of people, alleged present Communist activities not different materially from those past. Chang also accused Communists of attacking Central Government troops from rear when latter fighting Japs and of seizing arms and supplies from Central Government troops. In conclusion he asked correspondent withdraw despatch as it likely to create in United States misunderstanding of true situation regarding Kuomintang-Communist differences.

According correspondent, this despatch referred return Chou En-lai to Yen-an and possibility settlement differences between the two parties and described viewpoints of the two parties regards issues between them. Despatch subsequently withdrawn by correspondent who now plans rewrite it in hope having it passed by censors.

The correspondent is of opinion as result this conversation with Chang that there is no hope of Kuomintang-Communist settlement and that attempted liquidation of Communists by one means or other inevitable after war.

2. During July 7 press conference Chang Tao-fan informed correspondents that Chou En-lai was returning Yen-an order settle differences between two factions within Communist Party which had

arisen after dissolution Comintern. Stated one faction Nationalist and favored compromise with Chungking Government while other favored continuation party's previous policy. Questioned regarding reported Kuomintang-Communist negotiations, Chang denied any negotiation, stating might as well expect Democratic and Republican Parties in United States to enter negotiations.

3. Monitoring reports of Domei Chinese service from Chungking [by] OWI representative contain rather detailed coverage present Kuomintang-Communist relations, full of obvious inaccuracies (such as that Communists have given up their border government at Yen-an) and have strong anti-Communist tone.

4. Drumright at Sian offers his opinion telegram of July 16 that doubtful that Chungking policy of blockade will at present change into policy attack Sian [as] press and cultural organizations reported urging since dissolution Comintern, disbandment Chinese Communist Party. Further information expected from Drumright in due course.

ATCHESON

893.00/15065 : Telegram

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

CHUNGKING, July 21, 1943—4 p. m.

[Received July 22—12:29 p. m.]

1254. As of interest in connection with our reports in regard to the Kuomintang-Communist situation, we are reliably informed by a Chinese official that Dr. T. V. Soong has telegraphed here saying that officials of the American Government had asked him about Kuomintang-Communist relations and had expressed to him the opinion that an open clash would be seriously regarded in the United States and should be avoided.⁶

ATCHESON

893.00/15066 : Telegram

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

CHUNGKING, July 22, 1943—5 p. m.

[Received July 22—4:29 p. m.]

1256. 1. In telegram from Sian dated July 19 Drumright states Civil Affairs Commissioner informed him that day that prior to the departure of Lin Piao and Chou En-lai from Sian for Yen-an the Commissioner had discussions with them, during which the attitude

⁶ See memorandum by the Adviser on Political Relations (Hornbeck) dated July 24, p. 293.

of the two Communist leaders was one of cooperation and helpfulness. The Commissioner further stated that Chou and Lin are not returning with any definite proposals but that they will confer with Communist leaders in Yen-an in regard future organization of the Communist Party and possibility of its being dissolved. While the Commissioner confirmed reports of considerable Chungking troop concentrations in the border regions, he described as incorrect the recent rumors of major clashes, admitting at the same time that there have been frequent small scale incidents. The Commissioner did not believe that the Chungking authorities would use armed force against the Communists.

The Commissioner stated that recent reports from Chinese Intelligence have it that three groups have arisen at Yen-an since the dissolution of the Comintern. One group favors following a policy of revolution; the second group favors cooperation by an independent Chinese Communist party with the Central Government; and the third group proposes that the Communist Party be amalgamated with the Kuomintang. The Commissioner felt that the dissolution of the Comintern had shaken the Chinese Communist Party and that numbers of its members have been leaving the party. The Commissioner did not, however, believe that the Communists would give up their border government at Yen-an of their own free will.

2. The Commissioner's final statement gives further evidence of the belief existing in Kuomintang circles (Embassy's 1240, July 21, 9 a. m.) that the Chungking Government does not consider it possible to come to any compromise agreement with the Communist Party, and that the Kuomintang is determined eventually to liquidate the situation.

ATCHESON

740.0011 Pacific War/3352 : Telegram

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

CHUNGKING, July 24, 1943—noon.

[Received 12:01 p. m.]

1276. A further telegram from Drumright at Sian dated July 20 reports confirmation by a recent Chinese arrival from Sanyuan (north of Sian) of Chungking troop movements northwards in the direction of Lochwan in the Shensi border region. According to a provincial official at Sian, these movements are merely troop replacements. This official stated that no military clashes had occurred, denied that Chungking [planned to] attack the Communists and said that Chiang Kai-shek and Central Government are hoping that the abandonment of the border government at Yen-an will be brought about by Chou

En-lai's discussions with Communist leaders there. (These views are similar to those expressed by other Sian officials as reported in Embassy's 1256, July 22, 5 p. m.) Drumright feels as a result of his talks at Sian that the Central Government is utilizing to fullest the opportunity presented by the dismay which the dissolution of the Comintern has caused among the Communists to effect peacefully this [*the*] disbandment of Communist government at Yen-an.

ATCHESON

893.00/15065

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

[WASHINGTON,] July 24, 1943.

MR. SECRETARY: Referring to the report hereunder⁷ of the report by Dr. Soong that "officials of the American Government had asked him about Kuomintang Communist relations and had expressed to him the opinion that an open clash would be seriously regarded in the United States and should be avoided":

None of the Far Eastern officers of the Department has spoken to Soong on this subject; in fact, none of these officers has had any conversation with Soong recently. Nor has there come to us any information, written or oral, regarding any discussion with Soong of this subject by any officer of the Government.

The question of giving advice to the Chinese Government regarding Chinese internal politics has always been regarded as a delicate question. There has been since at least as far back as 1917⁸ a definite policy and a recognized procedure for the handling, diplomatically, of hints to the Chinese in that field. A few months ago Earl Browder publicly accused the Department, with specifications, of having intruded into the controversy between the Kuomintang and the Chinese "communists".⁹ We were able to show from our records that Mr. Browder's charges, both in general and in particular, were unfounded; and Mr. Browder made a public retraction. It would be helpful if the recognized procedure were adhered to and any conversations which officials of this Government may have with the Chinese regarding such matters would be made the subject of written record for and in the Department's files.¹⁰

S[TANLEY] K. H[ORNBECK]

⁷ See telegram No. 1254, July 21, 4 p. m., from the Chargé in China, p. 291.

⁸ See telegram of June 4, 1917, 3 p. m., to the Minister in China, *Foreign Relations*, 1917, p. 48.

⁹ For further correspondence on this subject, see memorandum prepared in the Department of State, October 3, 1942, *Foreign Relations*, 1942, China, p. 243, and correspondence following memorandum prepared in the Department of State, October 12, 1942, *ibid.*, pp. 243 ff.

¹⁰ Notation by the Secretary of State: "O. K. C. H."

893.00/15093

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

[Extracts]

No. 1391

CHUNGKING, July 26, 1943.

[Received August 21.]

SIR: With reference to the Embassy's telegram no. 1125, of July 8, 12 noon, in regard to Kuomintang-Communist differences, there is enclosed a translation of a manifesto¹¹ issued by the Central Executive Committee of the Chinese Communist Party on July 7, the sixth anniversary of the outbreak of Sino-Japanese hostilities, which has been received by the Embassy from Communist Party representatives at Chungking.

While the Central Government permits no mention of negotiations between the Kuomintang and the Communist Party to be published, it is interesting to note that it is stated in the manifesto that the Communists are "ready to continue the negotiations with the National Party of China (Kuomintang) and other parties and groups on the solution of existing problems and the improvement of relations between parties and groups." The need for national unity and the improvement of governmental administration are urged. The question is asked why a nation with a huge population such as China possesses can be invaded by the Japanese with thirty divisions of troops. It is admitted that the lack of industrial development is one reason, but the chief reason is ascribed to the lack of democratic government in China. Hope is expressed that the government will be able to effect necessary political reforms in accordance with the Three People's Principles in order to improve the relations between classes, political parties and groups of people and in order to arouse the spirit of the people. The government's present financial and economic policies are severely criticized and reforms therein are urged. Economic reforms, it is said, should include the practice of a democratic and centralized economic policy aimed at the development of production and the adjustment of the economic interests of different classes, and all groups should be mobilized for production.

Much of the manifesto is devoted to a description of the accomplishments of the Communist Party and army, and an appeal is made to them to strengthen their unity and continue their efforts to bring about the final defeat of Japan. In conclusion, an appeal is made that the members of the Communist Party unite with all anti-Jap-

¹¹ Not printed.

anese parties, groups and people to support the National Government and Generalissimo Chiang Kai-shek in the war against Japan.¹²

Respectfully yours,

GEORGE ATCHESON, JR.

740.0011 Pacific War/3363 : Telegram

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

CHUNGKING, July 28, 1943—6 p. m.

[Received July 29—11:15 a. m.]

1325. 1. In a telegram dated July 24 from Lanchow, Service states that, in addition to movement of Central Government troops north from Sian (Embassy's 1276, July 24, noon) other Chungking troops are reported to be moving westward and troops and matériel such as artillery and tanks are said to be concentrated in the region of Pingliang (eastern Kansu), a strategic point on the western border of the Communist areas. Service reports that recruits are being sent into Kansu from the south and that block houses are being constructed in Lanchow area.

Service states that officials at Lanchow are suspicious and unwilling to discuss the Communist situation. The military preparations are said there to be against banditry in the province. Service observes that many signs point toward local fears of a movement by the Communists west into Kansu and that sources who have contact with the Communists expect such action within the next year. He states that the Lanchow authorities have refused permission to Lowdermilk and Phillips (Department's technical experts) and their Chinese assistants to visit Ningshia and explains that their route of travel would carry them through blockade zone near western border of Communist areas.

¹² Augustus S. Chase of the Division of Far Eastern Affairs made these observations in a memorandum dated August 31:

"The following points not covered in the despatch are believed of some interest:

"In addition to criticizing 'those who oppose giving priority to the defeat of Germany', the manifesto reflects Soviet influence in emphasizing the need for a second front in Europe. However, it shows no lack of enthusiasm for the defeat of Japan.

"The following statements in the manifesto appear of some significance, especially if, as some observers claim, Soviet Russia continues to dictate the line of propaganda and action of Chinese Communists:

Hopes of Germany and Italy that 'one of the allies might conclude a dishonorable peace' are ridiculous.

Chinese Communists should 'develop . . . anti-Japanese groups of the Korean people'.

'Members of the Communist Party . . . should continue to study movements for purging non-Marxist ideology'.

"On the whole, the manifesto (as the summary in the covering despatch indicates) presents a much more honest picture of the state of China's war effort than that which the Chungking Government seeks to portray." [Omissions indicated in the original.]

2. The circumstances described by Service would not seem to have materially changed the situation which a well informed Chinese Communist at Chungking states has eased considerably during the last week or 10 days. This informant gives four possible reasons for the lessened tension: 1, the firm stand taken by the Communist Party at a mass meeting at Yen-an on July 9 which convinced the Kuomintang that the Communists were prepared to resist any armed attack (two Kuomintang liaison officers were said by the informant to have been present at the meeting); 2, the probable adverse foreign reaction to the possibility of civil war, as evinced by the interest displayed by foreign press correspondents at Chungking; 3, the reported telegram sent to the Central Government by Dr. T. V. Soong (Embassy's 1254, July 22 [21], 4 p.m.) to the effect that the U.S. Government had expressed to him its serious concern over the possibility of civil war in China; and, 4, the efforts of General Chou En-lai in the discussions at Sian to bring about a better understanding of the Communist position on the part of General Hu Tsung-nan.

ATCHESON

893.00/15084

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

No. 10378

LONDON, July 28, 1943.
[Received August 17.]

SIR: I have the honor to enclose a copy of a memorandum¹³ furnished the Embassy by the Foreign Office, giving the substance of recent information received from the British Embassy in Chungking concerning relations between the Chinese Central Government and the Communist forces in the north.

According to this report, there have recently been rumors that the Chinese Government was concentrating a large force of possibly seven divisions near the Communist area, ostensibly to meet the Japanese threat from southern Shansi. While it is believed that such movements have actually taken place, their purpose is open to doubt. The British Ambassador in Chungking has been informed by a member of the Ministry of Foreign Affairs that, following the dissolution of the Comintern, there had been a split in the ranks of the Chinese Communists, the moderates favoring increased cooperation with, or even incorporation in, the Nationalist Government and the extremists insisting on remaining independent. The Generalissimo had apparently sent proposals to Yen-an, the Communist head-

¹³ Not printed.

quarters, which amounted to the dissolution of the Communist Government, incorporation of the Communist armies in the National Forces and the recognition of Communism as an opposition political party.

It has been suggested in Chungking by the British Military Attaché, according to the Foreign Office, that the real reason for the troop movements may have been to support the Central Government in their negotiations with the Communists and fears have been expressed that an attack might be made on the Communists. The Foreign Office has stated that it does not have any other information to corroborate this interpretation and is merely passing it along for what it may be worth. However, unconfirmed information from another source in London is to the effect that two divisions of Communist troops in the north have recently attacked the Central Government forces.

Respectfully yours,

For the Ambassador:
W. J. GALLMAN
First Secretary of Embassy

800.20293/6

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

[Extracts]

No. 1410

CHUNGKING, July 31, 1943.

[Received September 1.]

SIR: With reference to the Embassy's despatch No. 540 of July 24, 1942,¹⁴ in regard to Chinese propaganda, psychological warfare and morale agencies, there is enclosed a copy of despatch No. 6 of July 5, 1943, from the Secretary on detail at Lanchow¹⁵ describing the use of wall slogans by Chinese propaganda agencies in the Northwest.

The Embassy is commending Mr. Service for the excellent character of this despatch, which through a careful and inclusive study of the use of wall slogans for propaganda purposes, material hitherto unstudied, reveals to a considerable extent the lines of political thinking of the Kuomintang, with the latter's insistence on the leadership principle and the primacy of the Party, and the evident seriousness of the problems which face the Central Government, such as provincialism, conscription, grain collection, opium growing and Mohammedan disidence.

¹⁴ Not printed, but see report of July 10, 1942, by the Third Secretary of Embassy in China to the Ambassador in China, *Foreign Relations*, 1942, China, p. 202.

¹⁵ Not printed.

Mr. Service expresses doubt that these slogans have a popular appeal to the masses of people, vast numbers of whom cannot read, and feels that the failure of the Party to devise new and original slogans (there has been no change in the character of the slogans used since the beginning of Sino-Japanese hostilities) to keep up the interest of the people and to meet the changing conditions of the war seems to indicate a growing sterility and deterioration of Kuomintang propaganda.

Respectfully yours,

GEORGE ATCHESON, JR.

893.00/15104

*The Consul at Kweilin (Ringwalt) to the Chargé in China
(Atcheson)* ¹⁶

No. 24

KWEILIN, July 31, 1943.

SIR: I have the honor to report hereunder the substance of an interview with Mr. Liang Shu-ming, well-known promoter of experiments in Village Self-Government in Honan and Shantung Provinces, and a prominent member of the Federation of Chinese Democratic Parties. Mr. Liang agreed to talk freely with the undersigned only on condition that his anonymity be strictly safeguarded. The views expressed in this report, it must be understood, are those of Mr. Liang and not necessarily those of the undersigned.

Summary. The political power of the Generalissimo rests on the common and national will to expel the enemy from China. However, in recent years he has tended more and more to mistake national popularity as his own private possession, and to concentrate to a greater and greater degree political power in his own hands. With this increasing tendency to monopolize all political power, has arisen ineptness in all forms of government and the present political structure is becoming increasingly insecure; its eventual fall is inevitable. In such an event, there should be a minimum of disorder, as the will of the Chinese people for national resistance remains constant. The Federation of Chinese Democratic Parties does not believe in the overthrow of the Kuomintang, but rather in its reform from a party of national monopoly to one of national cooperation. The present role of the Federation, which is daily increasing in prestige and authority, is to develop a liaison for all political groups in China, consolidation of the ideals of the various parties and interests, and the preparation of a political program to serve as a guide when the crisis arrives. This problem should not prove to be too difficult of solution as the political struggle in China is not for class domination, which tends to divide the people, but for national independence, which serves to unite them.

¹⁶ Copy transmitted to the Department by the Chargé in China in his despatch No. 1458, August 13; received September 3.

[Here follows detailed report.] ¹⁷

Respectfully yours,

ARTHUR R. RINGWALT

893.001/173 : Telegram

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

CHUNGKING, August 2, 1943—7 a. m.

[Received 4:28 p. m.]

1353. 1. It is officially announced that President Lin Sen died last evening, August 1 at 7:40 p. m., and that the funeral will be held at 5 p. m. today. I am addressing a formal note of condolence, dated August 2, to Dr. K. C. Wu, Acting Minister of Foreign Affairs, as follows:

“Excellency: It is with the greatest regret that I have learned of the death of His Excellency Mr. Lin Sen, President of the National Government of the Republic of China. The news of his passing will be received with sorrow by the President and other officers of the Government of the United States as well as by the American people in whose hearts he was held in great esteem because of the uprightness of his character, his devotion to democracy and his serene and unflinching confidence in the complete victory for which China and others of the United Nations are fighting the common enemies of freedom and justice.

“I wish to tender to the Chinese Government the sincere condolences and profound sympathy of the Government of the United States in the unfortunate loss which your country has suffered.

“Accept, Excellency, etc.”

2. It is also announced that General Chiang Kai-shek, in his position of President of the Executive Yuan, was late last night appointed by the Standing Committee of the Central Executive Committee to be Acting President of the National Government.

ATCHESON

893.001/178a : Telegram

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

WASHINGTON, August 2, 1943—5 p. m.

1012. Please deliver as from the President to Generalissimo Chiang Kai-shek a message as follows:

¹⁷ In a memorandum dated September 23 Troy L. Perkins of the Division of Far Eastern Affairs observed: “Mr. Liang is perhaps too optimistic in regard to the ability of the spirit of resistance alone to carry on should China’s leader pass out of the picture, with the factional strife which would probably ensue. The Federation of Chinese Democratic Parties is not an antagonist of the Kuomintang; it hopes mainly to ameliorate the shortcomings of that party and to effect eventually cooperation of all parties.” (893.00/15104)

"I desire to convey to Your Excellency and to the people of China an expression of the deep sorrow felt by the Government and people of the United States over the passing away of President Lin Sen. His life spanned the period of the courageous and successful struggle which the Chinese people made to achieve freedom and enduring unity; his zeal in this great labor has made an inestimable contribution to the founding of the Chinese Republic, as have his wise counsel and his eminent scholarship to the progress of the Republic through the three decades of its life. He died while the nation he loved was still engaged in a mortal conflict with Japan, whose armies had invaded and laid waste much of his homeland; although he did not live to see the final victory, he yet died in the full assurance that victory was certain, and that through it the Chinese people would march on to a happy and prosperous future.

Please convey to President Lin Sen's family my deep personal sympathy in their sorrow and bereavement. Franklin D. Roosevelt."

HULL

[For text of the Secretary of State's public statement and message to the Chinese Minister for Foreign Affairs, see Department of State *Bulletin*, August 7, 1943, page 85.]

893.00/15094

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

No. 1419

CHUNGKING, August 3, 1943.

[Received August 21.]

SIR: I have the honor to transmit herewith a copy of a report¹⁸ on conditions in Yeungkong, a district city on the southeastern coast of Kwangtung Province, submitted under date of July 19, 1943, by the Consul at Kweilin.

It will be noted from the report that Yeungkong is suffering from famine, despite the fact that it is a rich agricultural area and normally has a surplus of rice. This situation is said to be due mainly to the fact that rice is hoarded by moneyed interests and exported to occupied areas. Basic difficulties appear to be "landlordism" and official corruption, with wealthy absentee landlords adding to their wealth, by reason of the high prices, while tenants suffer from hunger and laborers and fishermen are destitute. The district magistrate, dominated by the landlords, is said to be rapidly becoming wealthy by various forms of dishonesty, such as smuggling and padding the army payroll.

Practically all the trade of the district is reported to be with occupied areas, the district being cut off from interior China by lack of

¹⁸ Not printed.

communications. Cloth, medicines, paper, dyes, etc. are brought into the district from occupied China in exchange for rice and tung oil. Only salt is shipped to Free China. From a Japanese-occupied island about ten miles off the coast, there are apparently substantial shipments of wolfram.

According to a report from the Consul at Kweilin, dated July 6, 1943, conditions are somewhat similar in the district of Kityang, near Swatow, in northeastern Kwangtung. Kityang is also the center of a rich agricultural area, but people are starving. This is due partly to inadequate food supplies, a result of a lack of fertilizer, subnormal rainfall and a heavy influx of refugees from occupied areas around Swatow, where conditions are said to be even worse. Mainly, however, it appears to be the old story of corrupt officials and greedy landlords and merchants who hoard grain or export it to occupied China. There is a steady and quite open traffic across the Kityang River, which is the boundary between occupied and Free China, the Chinese officials excusing it by saying that if they prohibited the shipment of foodstuffs to occupied territory, the enemy might raid Kityang and take the entire supply.¹⁹

Respectfully yours,

For the Chargé d'Affaires, a. i. :
J. BARTLETT RICHARDS,
Commercial Attaché

740.0011 Pacific War/3406

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

No. 1430

CHUNGKING, August 4, 1943.

[Received September 1.]

SIR: With reference to the Embassy's telegram No. 1325, July 28, 6 p. m., in regard to Kuomintang-Communist developments, there are enclosed: ²⁰ (a) a memorandum of conversation with Miss Kung Peng, a member of the editorial staff of the *Hsin Hua Jih Pao* (Communist-controlled) and part-time secretary to General Chou En-lai, Communist Party representative at Chungking; (b) a summary translation of a circular telegram* said to have been sent by a mass meeting of the Communist Party at Yen-an on July 9; (c) a statement* released

¹⁹ In a memorandum dated September 22 Troy L. Perkins of the Division of Far Eastern Affairs observed: "The report comes first-hand from an American source and the conditions described provide evidence for the contention of the Chinese 'Communists' that popular support of the war will sag where corruption and economic oppression are allowed to flourish."

²⁰ None printed.

* These documents which have been furnished the Embassy by Communist representatives at Chungking, are received by radio from Yen-an. The receiving set at Chungking is under the control of the 18th Group (8th Route) Army Headquarters. [Footnote in the original.]

by the Central Committee of the Chinese Communist Party on May 26, 1943, in regard to the dissolution of the Comintern; and (d) a translation of a report* said to have been made by Mao Tze-tung, leader of the Communist Party, at Yen-an on May 26 following the dissolution of the Comintern.

Summary. Communists attribute the reported lessening of the tension between Kuomintang and Communist forces in Shensi partly to the belief of the Central Government that the Communists are prepared to resist any armed attack on the Border Region. A circular telegram sent to Central Government leaders on July 9 by a Communist mass meeting at Yen-an reiterated Communist desire for unity, resistance to Japan, opposition to civil war and determination to defend the Border Region. Kuomintang claims that the dissolution of the Comintern has severely shaken the unity of the Communist Party are denied by the Communists who assert that the Chinese Communist Party is sufficiently mature to stand alone and that the Comintern has long since ceased to give any but moral support to the Party. There seems to be no likelihood that the differences between the two parties can be settled amicably, and it is believed that neither side is prepared to make the concessions necessary for reaching a settlement of their differences.

There has reportedly been a lessening of the tension between the Central Government and the Communist forces in the Shensi border areas during the past ten days. One of the four reasons to which Miss Kung ascribes this eased tension, as reported in the Embassy's telegram under reference, is the strong stand taken by the Communist Party at a mass meeting at Yen-an on July 9 which convinced the Kuomintang leaders that the Communists were prepared to resist any armed attack on the Border Region. She states that two Kuomintang officials sent to Yen-an by the Central Government for liaison work were present at that meeting.

A circular telegram was addressed by this mass meeting to President Lin Sen, General Chiang Kai-shek, the heads of the various Ministries and Yuans, the army officers fighting against the Japanese, the various parties opposing Japan and all compatriots, in which telegram the instigators of the present trouble are said to be Japanese fifth columnists within the Chinese army who are endeavoring to foment civil war. The charge was made that the war against Communism is being given priority over the war against Japan. The telegram then went on to make certain demands and requests of General Chiang and to General Hu Tsung-nan²² for the return of the Central Government troops to their original positions, the maintenance of unity and the avoidance of civil war. The Communists demanded the arrest and public trial of Wu Kai-hsien, calling him a secret envoy of the Japanese. (This former Kuomintang leader at Shanghai, who arrived

*See last footnote on p. 301.

²² Commanding Chinese troops on borders of Communist areas in Shensi.

at Chungking several months ago, was met at the airport by leading Kuomintang officials, including Dr. Chu Chia-hua, the Minister of Organization of the Kuomintang. He reportedly brought with him peace terms from the Japanese. Unconfirmed reports have reached the Embassy that Wu returned to Nanking in late June bearing with him the reply of the Chungking Government. The nature of the alleged terms and reply are not known to the Embassy.) In the telegram demands were also presented for the punishment of the generals of the Central Government armies who have surrendered to the puppet regime, and all parties and patriots were requested to follow the mottoes of the Communist Party: (1) uphold the war of resistance and oppose civil war; (2) maintain unity; (3) oppose the transfer of Central Government troops to the Border Region and send these troops against the Japanese; (4) punish the organizations which are inciting civil war; (5) support the Communist Party and defend the Border Region; (6) put into practice the San Min Chu I; (7) mobilize the people to protect the entire country, including the Border Region and north China; and (8) overthrow Japanese imperialism and the fifth column.

The Kuomintang authorities, whose statements are paralleled by broadcasts emanating from Japanese radio stations in the occupied areas, claim that there is widespread dissension among the Communists (Embassy's telegram No. 1240, July 21, 9 a. m. and No. 1256, July 22, 5 p. m.) who are said to have been split into three groups as a result of the dissolution of the Comintern. One group, led by Mao Tze-tung, is said to favor the continuation of the Party's present policy; the second group, led by Wang Ming (the last Chinese representative on the Executive Committee of the Comintern who returned to China from Moscow at the end of 1937), is said to support a revolutionary policy; the third group, under the leadership of General Chou En-lai, is described by the Kuomintang as desirous of coming to terms with the Central Government by surrender of the Communist government and army.

Communist representatives at Chungking deny the charges of dissension in the Communist Party and state that, while the dissolution of the Comintern came as a surprise to the rank and file of the Party, it was not unexpected by the leaders. The Communists maintain that the Comintern has provided only moral support for several years and that all material assistance from Soviet Russia in the form of military supplies has for some years gone only to the Central Government. The Communists assert that the Kuomintang is utilizing the dissolution of the Comintern in order to create the impression that there is dissension in the Communist Party. The Communist representatives deny the accuracy of these stories and firmly assert that no such dissension exists. They point to the above-described cir-

cular telegram as evidence of the unity of the Chinese Communist Party.

In the report said to have been made by Mr. Mao Tze-tung at Yen-an in regard to the dissolution of the Comintern (this report was not published in the local Communist newspaper), Mr. Mao asserts that the Comintern has extended considerable assistance to the three great revolutionary movements in China: the northern expedition, the land revolution and the anti-Japanese war. He refers to the assistance given by the Comintern to Dr. Sun Yat-sen and the Kuomintang in 1924 and calls attention to General Chiang Kai-shek's visit to Moscow at that time and the presence of Kuomintang representatives at meetings of the Comintern.

Mr. Mao gives three reasons for the dissolution of the Comintern: (1) the complicated and rapidly changing conditions in different countries require a leadership which can be obtained through a careful study of local conditions. Such a study cannot be conducted by an international organization far removed from the scene of activity in the various countries. (2) A central organization such as the Comintern is inappropriate for the varying conditions found in countries both in the Fascist and anti-Fascist camps, as in both groups there are socialist, capitalist, colonial and semi-colonial entities. (3) the Communist Parties in the various countries have reached maturity. The ability of the Chinese Communist Party to stand alone is shown by the circumstance that since 1935 the Comintern has not interfered with internal questions of the Party. Mr. Mao continues that the dissolution of the Comintern is thus not for the purpose of weakening the Communist parties of the various countries but rather for the purpose of strengthening the parties in order to make them more nationalistic and more in conformity with the needs of the anti-fascist war. He adds that the disciplinary movement of the Communist Party has in recent years opposed subjectivism, sectarianism and party formalism in order to make the Party a national party in conformity with the needs of the war and of national reconstruction. Mr. Mao concludes with an appeal for unity, stating that there are two prerequisites: unity within the party and unity between the party and the people.

It is difficult to know where the truth lies between the charges made by the Kuomintang that the Communist Party has been severely shaken by the dissolution of the Comintern and the assertions of the Communists that their Party is firmly united both against the Japanese and against any attack from the Central Government. It seems probable that the dissolution of the Comintern has produced a psychological reaction among the Communists who may now feel that the Kuomintang believes itself to be in a position where it can move against the Communists without fear of too adverse a reaction from

Soviet Russia. The final appeal of Mr. Mao Tze-tung in his above-described report points to the necessity of unity and, by implication, to some fear that complete unity does not exist. The Kuomintang may have assumed that Communist unity was so severely shattered that it could successfully attack the Border Region or that its exertion of pressure on the Communists could bring about Communist acceptance of terms favorable to the Central Government.

The Embassy has so far received no indications that the Communists are willing to accede to Kuomintang demands that the Communist Border Government and army be surrendered to the Central Government. There are indeed indications to the contrary, as shown by reports (Embassy's telegram No. 1325, July 28, 6 p. m.) that there exist fears that the Communists may attempt to move west into Kansu Province within the next year. The struggle between the two parties thus seems likely to continue, and the situation shows no signs of being ameliorated through concessions on the part of either faction.

Unless the Chungking authorities feel that the present moment offers the most favorable opportunity for liquidation of the Communists or unless the Central Government control over the areas now under its authority should become so weakened through local dissension as to make any such areas susceptible to Communist propaganda or easy prey to Communist attack, it seems probable that the final settlement of the Kuomintang-Communist problem will be postponed until the end of the war.

A thorough settlement would on the one hand include the establishment by the Chungking leaders of representative government with participation therein by the Communist Party and on the other hand would include surrender by the Communists of their Border Government and army. Given the present temper of the Kuomintang leaders and the determination of the Communists not to make any important compromise which would deprive them of guarantees of their support (that is, their Border Government and army), prospects of such a settlement seem so remote as to be beyond the realm of possibility. Most observers are accordingly of the opinion that open and bitter hostilities are inevitable in the long run.²³

Respectfully yours,

GEORGE ATCHESON, JR.

²³ In a memorandum dated September 27 Augustus S. Chase of the Division of Far Eastern Affairs commented: "Although the Chinese Communists do not practice Communism at present and although they state that the dissolution of the Comintern has ended their dependence upon Moscow, the following excerpt from enclosure no. 3 (statement released by the Communist Party on July 9 [May 26]) indicates that the Chinese Communists continue to regard (or profess to regard) Communism as an international force and as the ultimate desideratum for China:

'Chinese Communists are Marx-Leninists. Marxism-Leninism is science which knows no state boundaries. The Chinese Communists will certainly continue to apply and develop Marxism-Leninism dialectically in accordance with our own conditions in order to serve the cause of resistance war and national reconstruction.'

893.00/15090 : Telegram

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

WASHINGTON, August 5, 1943—5 p. m.

1036. Your 1254, July 21, 4 p. m. During the course of a conversation on July 30 with the Chinese Ambassador, I mentioned a report that had reached us to the effect that T. V. Soong had sent word to Chungking that an American official had spoken in a rather officious manner about China's policies as they relate to the Communist situation there. I remarked that I could not understand this and I said that, although some American officials, including myself, have wanted at all times to be kept informed concerning China's internal situation involving political and economic aspects, et cetera, primarily in order to be currently informed as to China's capacity for resistance in the war between her and Japan, any inquiries on those points, of course, have not the remotest resemblance to what Dr. Soong is said to have reported to Chungking. Ambassador Wei said that he had not heard of the report, that it was likewise incomprehensible to him.

HULL

893.00/15109

*The Second Secretary of Embassy in China (Service) to the Chargé in China (Acheson)*²⁴

No. 24

LANCHOW, August 5, 1943.

SIR: I have the honor to transmit a memorandum of comments made to me by Mr. M. Konstantinoff, the Soviet Embassy representative in Lanchow, regarding the war and internal problems in China.

In brief summary: Mr. Konstantinoff is concerned over the Kuomintang-Communist situation but denies the possibility of Russian intervention or assistance to the Communists. He also feels that the present Chinese Government is making a mistake in its handling of the minorities question in the Northwest and border regions. He does not expect Russian participation in the war against Japan.

Mr. Konstantinoff served in the Consulate General at Shanghai from about 1937 to 1940, returned to the Foreign Office for a period of duty, and then came to Lanchow in August, 1942. He has been very friendly to me, and to Captain Tolstoy,²⁵ U. S. A., who has been in Lanchow for the past month, and has been willing to discuss

²⁴ Copy transmitted to the Department by the Chargé in his despatch No. 1481, August 17; received September 3.

²⁵ Ilya Tolstoy, of the Office of Strategic Services; see pp. 620 ff.

general problems with an openness and apparent frankness rather unusual for our Russian colleagues.

Respectfully,

JOHN S. SERVICE

[Enclosure]

Memorandum by the Second Secretary of Embassy in China (Service)

LANCHOW, August 5, 1943.

Mr. Konstantinoff's comments regarding the suspicion with which he is treated by the local authorities has been mentioned in other reports (see despatch no. 22, August 3, 1943²⁶). He considers Americans relatively free from this attitude and envies what he speaks of as our freedom to travel and to make personal contacts with Chinese.

He is very much interested in the Mohammedan question in the Northwest and in the Chinese treatment of the Tibetans and Mongols. The Mohammedan question, he feels, is more important than Chinese realize and they will continue to be opposed by the Mohammedans until Mohammedan interests are recognized and given a more important share in Party and local government matters. Mohammedan unrest, along with agrarian and landlord resistance to taxation and conscription is, he believes, an important factor in the recent disturbances in Kansu.

The Tibetans and Mongols, he believes, cannot be won to China unless China abandons its attitude toward "subject" peoples, gives up its present policy of "sinification", and gives up its efforts to govern them by direct control or through support of their own feudalistic leaders. Positively he thinks that the Chinese must permit these peoples to have their own free cultural development, grant them full powers of local government (at the same time assisting their progress toward democracy by weakening the power of the church and feudal nobility), and assist their economic development by technical help in such matters as control of animal disease. Mr. Konstantinoff has recently been reading Owen Lattimore's *Inner Asian Frontiers of China*. He expresses great interest in it and general agreement with its conclusions.

The model for his thinking on the minorities question is obviously the Russian treatment of its own Central Asian minorities and the revolution that has been brought about in Outer Mongolia. He denies Russian control of Outer Mongolia but admits Russian assistance. The conditions of the people as a whole have been so improved that the country will fight against either Japan or China if the need arises.

Similarly in regard to Sinkiang, Mr. Konstantinoff fears that Chi-

²⁶ Not found in Department files, but see despatch No. 1480, August 17, from the Chargé in China, p. 315.

nese policies, unless radically changed, will alienate rather than win the people. In any event, he believes, Sinkiang cannot avoid having closer economic ties with Russia than with China.

The current emphasis on the development of the Northwest has primarily political significance. Development work cannot be carried out until after the war and even then only in the face of physical difficulties which the Chinese will not for some time, because of technical deficiencies, be able to surmount.

Mr. Konstantinoff is much concerned over the present tension between the Kuomintang and the Chinese Communists. At the same time he appears to be without channels of information on actual developments. He has avoided contact with the Communist representatives in Lanchow and is always interested in attempting to learn any news that I may have. He feels strongly that the Kuomintang will be making a "very serious mistake" if it attempts to liquidate the Communists by force, suggesting that the Communists may utilize forces of discontent in the country and prove too strong for the Kuomintang. He is pessimistic about the future of relations between the two parties and regards eventual trouble as probably inevitable.

He laughs at Chinese rumors and stories of Soviet planes flying back and forth to the Communist area, denies that they have received any material assistance from Russia "for many years", and goes on to say that Russia is now too concerned with her own life-and-death struggle to intervene in China or to give help to the Chinese Communists. (His remarks may be interpreted as implying, however, that if Russia were not so concerned with the war against Germany, she might be interested in helping the Communists.)

In discussing the Communists he takes the line that they are not Communistic in the Russian sense. But he believes that China is not ready for full Communism and that the Chinese program is therefore more appropriate for the conditions in China. He believes the Communists have made great progress in honest government, in eliminating graft and corruption, in economic control, in political indoctrination of the people so that they have an interest in the war, and in representative government.

He criticizes the reactionary tendencies of the Kuomintang and their treatment of the people.

Discussing the possibility of Russian participation in the war against Japan, Mr. Konstantinoff thinks that this is unlikely. Russia's own problems in defeating Germany and in rehabilitating her destroyed areas will consume her entire resources for some time. She will be friendly toward the Allies in their war against Japan but her assistance will probably not go as far as permitting American use of Russian airbases.

811.43 Institute of Pacific Relations/197: Telegram

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

WASHINGTON, August 7, 1943—11 p.m.

1053. Department has been notified by Institute of Pacific Relations that Edward C. Carter and W. L. Holland, representatives of that organization, are now en route to China.

We understand that Dr. T. V. Soong has already notified the interested Chinese officials in Chungking of Mr. Carter's approaching visit.

HULL

761.93/1731

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

No. 1448

CHUNGKING, August 9, 1943.

[Received September 1.]

SIR: I have the honor to refer to the Embassy's telegram No. 1197, July 16, 10 [8] a. m.²⁷ in regard to the recent change in status of certain Chinese consular offices in the Soviet Union and to transmit herewith a copy of a despatch (no. 17 of July 3, 1943) from the Consulate at Tihwa²⁷ on the general subject of Sinkiang-U. S. S. R. relations.

Mr. Clubb first sets forth in somewhat more detail the information contained in the Embassy's reference telegram.

He then gives such information as he has been able to obtain in regard to political prisoners in Sinkiang, a subject which he apparently confused with the Department's inquiry (telegram no. 823, June 29, 5 [3] p. m. to the Embassy) in regard to imprisonment of Chinese nationals in Siberia. Mr. Clubb quotes the estimate of a reliable but not necessarily exactly informed source to the effect that during the past three years about 1,000 persons have been imprisoned in Tihwa for political reasons, including some 300 since August 1942 (the date of the visit to Sinkiang of Mme. Chiang Kai-shek and General Chu Shao-liang). A number of Chinese returned students from Russia and other intellectuals are reportedly included in this latter group. Mr. Clubb makes a "conservative rough estimate" that some 20 Russians and perhaps 40 Chinese (assumably political prisoners) have been released from Tihwa prisons since last August.

In the latter part of his despatch Mr. Clubb discusses at some length Soviet-Sinkiang relations and the political situation in Sinkiang. His observations may be summarized as follows:

²⁷ Not printed.

It appears probable that the political influence until recently exercised in Sinkiang by the Soviet Union has been somewhat over-estimated due to exaggerated political significance being attached to the stationing of Russian troops at Hami, the presence of Soviet advisors and technicians in the Sinkiang government, the trade relations between Sinkiang and the U. S. S. R., and political imprisonments which seemed to be the result of Soviet influence. The present deterioration in Soviet-Sinkiang relations began in the summer of 1942 when Governor Sheng Shih-tsai, apparently underestimating Russian strength vis-à-vis Germany, and overestimating the potentialities of the Chinese Central Government, found it opportune to re-orient his relationships under circumstances unlikely to increase sympathy between the Soviet Union and either Sinkiang Province or the Central Government.

Mr. Clubb cites instances of political unrest in Sinkiang (in spite of the very strict police control in the province) and points out that the political situation may be expected to worsen with the anticipated deterioration in the provincial economy, a situation which does not point to any increase in the stability of Governor Sheng's regime or in Central Government influence in Sinkiang. Although he hints that the Soviet Union would not be above taking advantage of the situation, Mr. Clubb thinks it highly improbable that the Russians would, under present circumstances, enter Sinkiang in force in order to set up a regime sympathetic to them.

Respectfully yours,

GEORGE ATCHESON, JR.

893.44 Chiang Kai-shek/109

Memorandum by Mr. Augustus S. Chase of the Division of Far Eastern Affairs

[Extracts]

[WASHINGTON,] August 9, 1943.

Reference underlying despatch no. 1220 of May 31, 1943, from our Embassy at Chungking, enclosing the original Chinese text of Generalissimo Chiang Kai-shek's book, *China's Destiny*, and a condensed translation thereof prepared by the British Embassy at Chungking (copy of which had already been received in the Department through another channel).

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COMMENT

The Embassy's views in regard to the significance of the book and its anti-liberal and somewhat anti-foreign tone are believed to be well taken. It is believed, however, that foreigners, in their initial reaction to the book, have perhaps shown a tendency to view it solely in the perspective of the war and United Nations objectives and hence to overemphasize undesirable features which from a long-range viewpoint take on a more natural if not less disturbing character. In fairness the following may be pointed out:

Criticism of foreign countries, with the exception of Japan, is largely confined to the pre-war past—though it is true that an unfortunately distorted and biased picture of China's treatment by foreign nations is drawn with the obvious purpose²⁸ of keeping alive the impression that China's past ills and failures were the result of the "unequal treaties". With respect to the present and future, the sentiment toward foreign countries other than Japan and its Axis partners is friendly rather than hostile except for an assertion in Chapter VIII that European political philosophy makes mankind the slaves of the techniques of war and industrial production in contrast to China's philosophy which regards them as servants of mankind. Even with regard to the past, criticism of the United States is limited to including us among the nations which imposed "unequal treaties": There is no specific censure, no mention, for example, of the Nanking Incident,²⁹ of American oil shipments to Japan, of our immigration laws, or of the "inadequacy" of our aid to China. The past encroachments of Britain and Russia are severely and specifically censured, but in both the past and present Japan is the principal target and the epithet "Japanese brigands" appears frequently. China's new "equal treaties" with the United States and Britain are extolled at length and it is stated that their conclusion "is not only the most important page in the history of the rebirth of our Chinese people, but the friendly nations of America and England have erected a shining beacon to the equality and freedom of the world and humanity." There are several cordial references to China's association with the United Nations and their common objectives and at least brief passages which refute the charge that Nazism and Fascism are not attacked. While it is made clear that Outer Mongolia, Kowloon and Hong Kong should be returned to Chinese control, the approach here is friendly in tone. Sympathy for the aspirations of Asiatic peoples is expressed but without any threat or specific demands.

²⁸ Notation by the Adviser on Political Relations (Hornbeck): "Many Chinese believe it. S. K. H."

²⁹ March 24, 1927; see *Foreign Relations*, 1927, vol. II, pp. 146 ff.

Even the worst passages of the book are more moderate than propaganda issued by the Kuomintang at earlier stages of its career.

As the Embassy indicates, the book's anti-liberal tone appears of more serious consequence than its anti-foreign aspects. Even here, however, the book is not a new iteration of policy but only an authoritative confirmation of already manifested reactionary Kuomintang views. Moreover, the basis for objection lies less in the actual statements made than in the inferences to be drawn from a background knowledge of the Kuomintang's past conduct. Thus, one could hardly describe as reactionary the statements that all political views will be tolerated save those which seek to overthrow Kuomintang control by force, that local political and social reforms are being undertaken and have only failed of completion as a result of disturbed conditions, that the Kuomintang program calls for "equalization of land rights and limitation of capital", and that individual freedom must be tempered with respect for the law. It is only when one realizes the past consistent failure of the Chungking Government to carry out its pledges to the people, the obstinate determination of reactionary Kuomintang elements to preserve their power and opportunities for profit, and the uncompromising attitude toward the Chinese Communists that the unfortunate significance of the book becomes evident. Even the position taken toward Western democracy is offset by well-sounding statements with which it is difficult to take issue.

In conclusion, the worst that may be said of the book is that it authoritatively reaffirms undesirable policies already expressed and that a particularly unfortunate time has been chosen for its publication. The best that can be said of it is that it is obviously intended to build up a spirit of patriotism, unity, self-respect and self-reliance among the Chinese people and that the methods used to achieve this purpose are probably no worse than those employed in nationalistic propaganda of most other countries.

893.248/281

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

No. 1449

CHUNGKING, August 9, 1943.

[Received September 1.]

SIR: I have the honor to report that the Consul at Tihwa, in a telegram dated August 1, states that he has been confidentially informed by the local Special Delegate for Foreign Affairs that the Soviet Russians are removing all equipment but water and light units from

the Toutungho airplane assembly plant; that the U.S.S.R. Government is now offering to sell the remaining installations to the Chinese Government at a reported price of \$4,000,000 (assumably U.S. currency); and that the chief of the Chinese air force, General Chou Chih-jou, who recently inspected the plant, will probably recommend to the Generalissimo that it either be re-equipped for plane assembly or used as an advanced air training school, and that American lend-lease aid be requested to enable purchase of the present plant and needed additional equipment. Mr. Clubb states that he is reporting more fully on the matter by mail.

In a mail despatch (no. 20, July 23, 1943³⁰) Mr. Clubb gives the following information in regard to the Toutungho plant.

"The T'ou T'ung Ho airplane assembly plant, which has operated under the name "Agricultural Implements Factory", is located 42 kilometers from Tihwa, at the foot of a mountain range at the approximate point at which a small river (presumably of the same name) debouches onto the plain, on a road which leaves the main highway at a point 23 kilometers northwest of town in a line directly southwest. It is reported that Russian evacuation of that place is nearly completed, the only remaining material to be removed consisting of lumber, furniture, et cetera. Information obtained in Kuldja indicated that about 800 Soviet Russian citizens (including families) had been in residence at that place and were now removing to the Soviet Union. The location is not readily observable from the highway, but from one point it was seen to include a good number of buildings and something which seemed to be a water tower.

It is not as yet clear just why, from both the Chinese and Russian points of view, the project in question was originally undertaken."

No information is available as to the exact extent of the development at Toutungho but it is the Embassy's understanding that no planes have actually been assembled there.

From information at present available the geographic location of the plant and the transportation difficulties in Sinkiang would seem to render its use either as a plane assembly plant or an air training school economically impractical. If it later appears that the Chinese desire to push the project and that their motives are principally political, the Embassy suggests that the Department might wish to give consideration to the implications of American aid for the project before such aid is extended.

The Embassy will, of course, keep the Department fully informed of any further developments.

Respectfully yours,

GEORGE ATCHESON, JR.

³⁰ Not printed.

740.0011 Pacific War/3376 : Telegram

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

CHUNGKING, August 11, 1943—3 p. m.

[Received August 11—12: 54 p. m.]

1429. Embassy's 1325, July 28, 6 p. m. That [*The*] *New York Times* correspondent has been informed by an authoritative source that Government "had decided" not to use force to resolve Kuomintang-Communist difficulties. Both the *New York Times* and the UP correspondents have been informed by Ministry of Information that they may report that Government definitely will not use force against Communists.

I am informed by one of the highest officials of the Government that some tension in the situation still exists but that Government will not resort to force and that in his opinion the difficulties will be resolved, if not during war, at least very shortly after peace comes, by political means. He spoke with obvious assurance in regard to Government's intention not to resort to force.

ATCHESON

893.00/15086 : Telegram

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

CHUNGKING, August 12, 1943—6 p. m.

[Received August 12—3: 16 p. m.]

1438. Embassy's 1183, July 14, noon. The Military Attaché Colonel DePass, who has recently returned, yesterday received a visit from the Soviet Military Attaché who indicated that the Soviet Government was much concerned over the Kuomintang-Communist situation and who made persistent efforts to elicit information as to the probable attitude of the American Government, especially in regard to the continued furnishing of aid to China, in case actual hostilities between the Kuomintang and the Communist forces should break out. (I am satisfied that DePass handled the conversation properly.)

This continued more or less open Soviet interest in the Kuomintang-Communist situation is of perhaps more than superficial significance. It seems to offer for one thing an illuminating sidelight on present Sino-Soviet relations and might be interpreted as giving some support to fears, which are deeply ingrained in reactionary Kuomintang Government circles, of Russia's good faith as a partial Ally and of Russia's future intentions. For example, the line of argument of Chinese officials who have advocated the resolving of the Communist

problem by force has been that otherwise, if and when Russia should enter the war against Japan, Russian forces would sweep down through Manchuria and Korea and their Chinese Communist colleagues would take over North China. Now with the Communist question added to other important outstanding Sino-Russian problems the prospects of friendly and sincere cooperation between Russia and China either during or after the war would seem to be lessening rather than increasing.

Repeated to Moscow.

ATCHESON

893.00/15088 : Telegram

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

CHUNGKING, August 16, 1943—5 p. m.

[Received August 16—2:26 p. m.]

1483. Following from Drumright at Sian dated August 13.

Having just arrived at Sian from Peiping via Yen-an, Gustav Soderbom³¹ reports attending a mass meeting at Yen-an, the most significant feature of which was defiance and antagonism displayed toward the Central Government. He states that Chu Teh and Chou En-lai told him the Chinese Communists will not disband and will resist if attacked by central armies which comprise 11 divisions and 2 brigades along boundary of special area from the Yellow River to Kansu.

ATCHESON

893.00/15108

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

No. 1480

CHUNGKING, August 17, 1943.

[Received September 3.]

SIR: I have the honor to refer to the Embassy's telegrams Nos. 1325, July 28, 6 p. m. and 1438, August 12, 6 p. m., and to enclose, as of possible background interest, a copy of a memorandum of August 3, 1943³² from the Embassy officer at Lanchow in which various illustrations are given of the antipathy to Soviet Russia and the Chinese Communists currently being manifested in official and Kuomintang Party circles in Lanchow.

These illustrations include the onerous restrictions upon the activities and contacts of the Soviet Embassy representative at Lanchow; the minimizing, in local propaganda, of Russia's part in the war; various evidences of Chinese expectations of a future conflict with

³¹ A Swedish subject who had resided many years in China.

³² Enclosure not printed.

Russia ; and remarks of various officials indicating antagonism toward Soviet Russia and the Chinese Communists.

Respectfully yours,

GEORGE ATCHESON, JR.

800.00B Communist International/325 : Telegram

The Ambassador in the Soviet Union (Standley) to the Secretary of State

Moscow, August 18, 1943—1 p. m.

[Received August 19—3 : 30 a. m.]

1115. Department's 455, June 18, 9 p. m. My 114 [1114], August 18.³³ The article on China is noteworthy since it is the first Soviet press statement openly to champion the cause of the Chinese Communists whose role in China's struggle for independence is emphasized. Moreover it is more critical of Japan than before [has been] the case in the Soviet press. The article is also interesting in that it attacks as pro-Japanese the Chinese groups which are allegedly seeking to destroy Communist Fourth and Eighth Armies. Finally, while Chiang Kai-shek is not attacked, elements in his following and in the Chungking Government are accused of treason.

STANDLEY

893.00/15112

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

No. 1485

CHUNGKING, August 18, 1943.

[Received September 13.]

SIR: Reference is made to the Embassy's despatch No. 1310 of June 30, 1943 on the subject of conditions in Kansu Province.

There is now enclosed a copy of a despatch No. 9, July 18, 1943, with enclosure,³⁴ from the Second Secretary at Lanchow, in regard to political unrest in Kansu, which may be summarized as follows:

An agrarian uprising which occurred in parts of Kansu last spring, in which perhaps 50,000 or more armed peasants participated, has now subsided assumably because of their present [pre]occupation with the cultivation and harvesting of crops. Among the causes of the unrest were (1) dislike for the provincial regime (the chairman is considered unduly harsh and his subordinates, principally from other provinces, are considered "foreign"); (2) resentment of conscription

³³ Latter not printed; it reviewed articles in *War and the Working Class* of August 1, 1943 (861.9111/424).

³⁴ Neither printed.

and heavy grain collections; (3) apparent attempts by the Provincial Government to suppress the opium trade, which is largely in the hands of secret societies which are linked to the powerful landlord-gentry class; and (4) presence within the province of armed, disbanded former soldiers.

According to Mr. Service, it appears likely that, with the completion of agricultural activities in the Autumn and recommencement of collection of taxes in kind, disturbances will recur. To meet this situation and to guard against a possible attempt by the Communists to capitalize on the situation by moving into Central Kansu, the troops in the province have been reinforced and defense works are being constructed.

Respectfully yours,

GEORGE ATCHESON, JR.

761.90/8-1943

*Memorandum Prepared in the Department of State*⁸⁵

[WASHINGTON,] August 19, 1943.

U.S.S.R. AIMS IN THE FAR EAST

I

The basic aims in the Far East of the Soviet Union do not differ in fundamental character from its aims in Europe, in the Near East, or in other areas adjacent or near to the U.S.S.R. The perhaps primary motivating factor in Soviet policy is a natural desire to promote national security. The economic and political—including security—aspects of Soviet aims in the Far East are closely interwoven.

The Soviet Government has as one of its paramount political objectives the creation of well disposed and ideologically sympathetic governments in nearby areas. As outstanding examples we have the Soviet Union's infiltration into Outer Mongolia (where a Soviet Government has been created) and its influence in Sinkiang and among the so-called Chinese Communists in northwest China. It is believed that Korean guerrillas operating in Manchuria have close Soviet connections. By virtue of Soviet influence in Outer Mongolia, the Mongols in Inner Mongolia would probably be susceptible to Soviet propaganda and infiltration. Reference to the German, Polish, Yugoslavian and other "free" movements sponsored by the Soviet Government should give clear indication of the course which that Government is likely to attempt to follow vis-à-vis China, Korea, Japan and possibly other areas in the Far East, such as Burma, Thailand and

⁸⁵ Drafted by the Adviser on Political Relations (Hornbeck), the Chief of the Division of Far Eastern Affairs (Ballantine), and Max W. Bishop and John Carter Vincent of the same Division.

the Philippines if and when the Soviet Government feels the time is propitious. The Soviet Government has a deep organic suspicion of any and all non-Soviet governments. This suspicion gives rise to determined efforts to bring neighboring governments and peoples into Soviet Russia's orbit and actually, if not openly, to exercise control over them. At the same time and for similar reasons, the Soviet Union seeks to influence and, if possible, to gain control of social and economic movements which might be termed revolutionary in the orthodox sense of that term. Movements of this character may be expected to increase in the Far East.

The Soviet Government still has a strong desire for warm water ports. It is to be expected, therefore, that one of its basic objectives in the Far East is to obtain access to the Pacific through a port or ports in north China or in Korea. As a corollary to this objective, we may also expect Soviet Russia to desire transit privileges via the railways across Manchuria to a warm water port or ports and to Vladivostok. It is probable that Soviet Russia would not feel it necessary to annex a warm water port in north China or in Korea provided such port or ports were under a government of which the Russian Government approved and upon which it felt it could rely—in other words, a government more or less similar to that which now exists in Outer Mongolia.

II

So long as the military situation in Europe is such as to require the concentration of practically all of the offensive strength of the U.S.S.R. against Germany, it is probable that the implementation of Soviet policies in the Far East will be confined for the most part to political maneuvering and intrigue, to dissemination of propaganda and to proselyting of Communist disciples. In the meantime the Soviet Government will take full advantage of every possible opportunity to prepare for more positive action in the future. It is difficult to estimate what the situation in Soviet Russia will be after the termination of Russo-German hostilities, and it is correspondingly difficult to estimate the amount of strength which Soviet Russia will then be able to turn toward the Far East. It is reasonable to expect, however, that Soviet Russia will at some time in the future depart from its present policy of not offering material assistance to the Chinese Communists and of not openly opposing the Japanese. An article recently published in a semi-official Soviet journal criticizing the Kuomintang Government of China affords illuminating evidence that the U.S.S.R. is acutely conscious of developments in the Far East. It is most likely that while the Soviet Union remains engaged in Europe on the present scale it will continue to follow a policy of expedient stability in its relations with Japan and of maintaining at least openly

a neutral attitude between the Chinese Communists and the Kuomintang.

One effect of peace in Europe will be to strengthen Soviet Russia's hand in the Far East.

The degree to which Soviet influence in the Far East will be increased will depend upon a number of factors which must for the present at least remain imponderables. It is to be noted, however, that conditions in the Far East and the policies and programs pursued by China, by Japan and by Western countries will have an important effect upon the development of the position of Soviet Russia in the Far East. In other words, in addition to the positive side of Russian aims, policies and programs, account must also be taken of probable situations and conditions which might further Soviet aims without there being put forth any considerable positive effort on the part of the U.S.S.R. It may be assumed that areas in the Far East where there exist social unrest and political instability, conducive to the type of so-called revolutionary movements mentioned earlier in this memorandum, will furnish fertile fields for the extension of Soviet influence. Such a development need not, and probably will not, have as its aim territorial aggrandizement or even well-defined political objectives on the part of the Soviet Union. It may quite understandably be more in the nature of an attraction on the part of the peoples of those areas to Soviet Russia, because of dissatisfaction with governmental policies and conditions in those areas, than in the nature of a positive move on the part of the Soviet Government. It is well to bear in mind, therefore, that post-war conditions in China and other Far Eastern areas—such as failures to give serious attention to the needs of the people—may be more responsible for political developments in the Far East in which Soviet Russia would be concerned than any policy or initiative taken by the Soviet Government. There will be a natural tendency, however, on the part of the authorities in the area concerned, such as in China, to place the blame for their own failures at the doorstep of Moscow as the instigator of social unrest.

In any post-war settlement which is worked out in the Far East it is to be expected that Soviet Russia will seek to influence that settlement in a way which would facilitate the realization of basic Soviet desiderata set forth in the first section of this memorandum. It is believed that this will be true whether Soviet Russia actively enters the war against Japan or not. The Soviet Union will probably seek to gain control of or to create Sovietized governments among the peoples of Inner Mongolia, Manchuria, Korea and possibly other areas in the Western Pacific; in the matter of influence, Soviet desires would include substantial influence in and over Japan.

Should the Soviet Union, as is likely, enter the war against Japan in its later stages and before Japan's capitulation, she would probably endeavor to send troops into Manchuria, southern Saghalin and Korea. Were she to achieve this, she would probably make demands for some territorial and/or administrative advantages in those areas for Soviet account; but this is problematical. The Soviet Union would probably demand an important voice at any conference in relation to the settlement of Far Eastern affairs. In any event it is reasonable to expect Soviet Russia to wish to move into areas, if any, in north China and possibly Korea where a political vacuum might have been created by the defeat of Japan.

(The foregoing estimate takes no account of the possibility of a separate peace between Germany and the U.S.S.R. Should a separate peace be made between these two countries more active Soviet interference in China might well be forthcoming, as well as efforts to bring about peace between Japan and China in order for obvious reasons to prolong Japan's war with the United States and Great Britain.)

Existing conditions in China and the probable conditions throughout the Far East at the end of the war make it likely that the Soviet Union will be in a strong position toward achieving its fundamental aims in regard to those areas.

893.248/230: Telegram

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

CHUNGKING, August 19, 1943—9 a. m.

[Received 1:45 p. m.]

1508. Department's 1113, August 16.³⁰ Embassy's despatch 1449, August 9, forwarded by pouch August 11, communicates information from Consul at Tihwa obtained from Foreign Office representative there to the effect that Soviet Russians are removing all equipment but water and light units from Toutunggho airplane assembly plant near Tihwa, only such plant known to exist in Sinkiang.

Consul reported under date July 9 that Soviet sources confirmed reports of Russian withdrawal from the Tushan oil field near Wusu, only field known to have been developed in Sinkiang. Withdrawal said to involve removal of all equipment totalling some 15,000 tons and to require several months time although production already stopped.

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* Not printed.

893.00/15096 : Telegram

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

CHUNGKING, August 21, 1943—1 p. m.

[Received 4:35 p. m.]

1532. According to reliable sources, the next session of the CEC,³⁷ originally scheduled for November, will begin about September 5, agenda to include Kuomintang-Communist relations and selection of new President of National Government. Consideration is also being given to possible adoption of some alteration in governmental structure by providing something in the nature of a democratic appearing façade to meet recent foreign criticism of the administration's Fascist tendencies. One suggestion along this line is that Presidency be made a position of actual executive authority on either American or former French lines and that there be a Prime Minister and a Cabinet composed of the heads of executive ministries.

The People's Political Council is expected to meet in September after the CEC session.

ATCHESON

811.43 Institute of Pacific Relations/198 : Telegram

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

CHUNGKING, August 24, 1943—3 p. m.

[Received 4:04 p. m.]

1552. Department's 1053, August 7. Carter and Holland arrived August 22 without notice, came to Embassy, as no arrangements had been made for them, stayed with us until yesterday when they moved to Dr. Kung's "suite" at a foreign style hostel. They saw the Generalissimo August 22 by appointment arranged [by] Assistant Military [Attaché?].

They inform us now this visit was inspired by Soong and undertaken on invitation from Generalissimo after a consultation with Mr. Welles, Mr. Hornbeck and other Department officers and that they carry a letter from the White House. They have expressed considerable interest in Communist situation. They plan in about 3 weeks to proceed to Russia.

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³⁷ Central Executive Committee of the Kuomintang.

811.43 Institute of Pacific Relations/198 : Telegram

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

WASHINGTON, August 26, 1943—6 p. m.

1186. Your 1552, August 24, 3 p. m. Regarding visitors' expression of interest in the Communist situation, for Embassy's guidance, Department has approved views expressed in a recent OWI directive that the less discussion there is currently of Kuomintang-Communist difficulties and problem the better.

HULL

893.00/15105 : Telegram

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

CHUNGKING, September 1, 1943—4 p. m.

[Received September 3—9 : 53 p. m.]

1618. Embassy's 1483, August 16. Drumright at Sian reports having been informed August 26 by General Hu Tsung-nan's Chief of Staff that no armed conflict with the Communists has recently occurred and that the Central Government still hopes for a political rather than a military solution of the Communist problem. The general impression in Chungking is that the period of tension has passed, at least pending the outcome of the forthcoming session of the CEC (Embassy's 1532, August 21).

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893.00/15140

*Memorandum by the Chief of the Division of Far Eastern Affairs (Ballantine) to the Secretary of State*³⁹

[WASHINGTON,] September 2, 1943.

MR. SECRETARY: Recently there has appeared in the American press considerable discussion of conditions in China and of the state of China's war effort. Some of that discussion has been extremely critical; some has been sympathetic.

In the light of that discussion and without attempting to deal with all details thereof, FE believes that you may be interested in FE's comments on certain aspects of the general situation which would seem to be important in reference to this Government's formulation of policy.

³⁹ Forwarded to the Secretary of State by the Adviser on Political Relations (Hornbeck) with his memorandum of September 15: "This is a volunteered expression by FE of views regarding current developments and trends in China."

I

In recent months development within the Government of China of an increasingly reactionary type of nationalism has been apparent. This development is marked by suppression of freedom of movement and of expression of thought through expansion of censorship and secret police methods. Conditions exist in which there are inherent factors of potential civil war. Increased propagation of artificial philosophies of national heritage and "destiny", as enunciated by the leader, and also a growing avoidance of and withdrawal from foreigners have been noted. Economic power is concentrated in a few hands.

If this trend toward political and economic nationalism continues, China will become a country where all opposition to a small ruling group will be stifled and where that ruling group, by inculcating suspicion of foreigners, will stand between the people of China and other nations and peoples. Mutually frank relations would be made difficult by narrow-gauge Chinese nationalistic aspirations which include a desire to occupy a role of leadership throughout the Far East and India where nationalism is growing. Our observers in China frequently in recent months have submitted many statements corroborative of the increasingly reactionary character of the Chinese Government.

II

The present Government of China is admittedly under the exclusive control of the Kuomintang party of which Generalissimo Chiang Kai-shek is the "leader". The Generalissimo through the exercise of balance of power among a group of lesser figures and through his own personal prestige and ability has gathered into his own and his party's hands the control of much of unoccupied China.

This growth of power has been accompanied by an acceleration of chauvinistic nationalism. Two recent books under the authorship of the Generalissimo are evidence of this attitude. His *China's Destiny* reflects excessive nationalism, a definite inclination toward reliance on fascist doctrines, and a repudiation of democracy. His *Chinese Economics* similarly exhibits ultra nationalism and fascist ideology. These books display an antipathy for and a suspicion of western nations. Both books have been withdrawn from limited circulation, presumably because of realization of the unfavorable repercussions in western countries which would follow their dissemination. On the other hand, in certain passages of the books friendliness toward the United Nations is specifically expressed. Furthermore, in view of the lack of unity and political decentralization which has been conspicuously a source of national weakness in

China, there is something to be said in favor of the emphasis placed in these books on patriotism and the need of developing a cohesive nationalism.

The attitude of the Generalissimo and the Kuomintang toward the so-called "Communists" is further evidence of determination to maintain one-party control. The Chinese "Communists" form the only movement in recent years which has openly aspired to a position of national importance rivaling the Kuomintang. Prior to 1937, war was openly waged between the Central Government and the Chinese "Communists". In the face of Japanese aggression, however, the Kuomintang and the "Communists" formed a common front against Japan. Nevertheless they have failed to evolve a stable relationship. The consensus of observers in China is that eventual renewal of civil war is likely. Today the "Communist" territory is blockaded by several hundred thousand of the best troops in China, and block houses have been erected facing the "Communists". In justice to the Chinese Government, however, it should be added that, while blockading the Chinese "Communists", those troops are at the same time guarding a vital part of China from a possible Japanese advance into the northwest.

III

There has been pointed out the desirability of bringing into the light points of difference and friction in international affairs. The virus of nationalism in China, with its attendant internal manifestations, with its suspicion and misunderstanding, is capable of becoming a cancer. Perhaps the most important political problems which we shall face in achievement of our policies and objectives in the Far East are (*a*) internal conditions of China; (*b*) the basic policy aims of Soviet Russia in that area; (*c*) the relations between Soviet Russia and China; (*d*) the post-war policies of Great Britain in the Far East; (*e*) the relations between Great Britain and China and Japan; and (*f*) Japan's post-war position in the Far East and the relations between Japan and other Asiatic peoples. The developments in China which have been outlined here most briefly will have a profound effect on all of these problems. The type of nationalism which develops in China can, it is believed, be markedly affected by the policies and programs of this Government.

It is hardly to be expected that the tide of growing nationalism among the Chinese, or for that matter among all Asiatics and many colored peoples, can be dissipated. Rather than to attempt to destroy the feeling of nationalism, it would seem to be more desirable to attempt to direct it into healthy channels and to avoid the spread of mutual suspicion and misunderstanding and blind faith in preclusive nationalism.

It is not believed that these developments, which in large part have the character of manifestations of an evolving trend of national development, call for specific action at this moment and no recommendation for action is submitted. It is believed to be highly important, however, that we should all be aware of this trend in the present Government of China in order that problems which arise from time to time may be viewed in their proper perspective.

These developments are most important for the long-swing post-war world, and in view of the close interest which the President has in China and in the Far East, it is believed that you may wish at an opportune moment to discuss these developments with the President, not with a view to suggesting any immediate action but merely for the purpose of informing him of the evolving situation and potentialities in China.

J[OSEPH] W. B[ALLANTINE]

893.00/15184

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

No. 1541

CHUNGKING, September 4, 1943.

[Received October 1.]

SIR: Referring to the Embassy's telegram No. 1483, August 16, 5 p.m. in regard to conditions in Communist-controlled areas in north China, there is enclosed a copy of despatch No. 45 of August 16, 1943,⁴⁰ from the Secretary on detail at Sian which served as the basis for the telegram under reference.

Mr. Drumright describes in his despatch a conversation with Mr. Gustav Soderbom, a Swedish subject who has long resided in Inner Mongolia and Peiping and who arrived at Sian in early August after a month's residence at Yen-an en route from Peiping to Chungking.

According to Mr. Soderbom, the Chinese Communists control large areas in Hopei and Shansi provinces although they are not active militarily because of a lack of matériel. Their chief source of arms at present is the Japanese-occupied areas where military supplies are purchased from Chinese gun-runners and smuggled into Communist areas. Capture of military equipment from Japanese and Chinese puppet forces, the former source of most of the equipment of the Communist troops, has become increasingly difficult due to lack of military operations as the Japanese are not active in combatting guerrilla operations. The Japanese make only occasional forays into the interior either to seize grain and other loot or to disperse guerrilla

⁴⁰ Not printed.

concentrations endangering Japanese positions or communications. Communist troops are relatively well fed and clothed and their spirit is excellent. They appear to be on good terms with the people, taxation and labor conscription being carried out in such an equitable manner that little resentment is created among the populace. Proceeds from the sale of opium grown in Communist areas in Shansi are used to bolster Communist revenues, to support the Communist-issued currency and to purchase commodities in the Japanese-occupied areas. Most of the opium appears to be sold or bartered in enemy-controlled areas.

Mr. Soderbom found the atmosphere at Yen-an in early July tense due to reports of Chungking troop concentrations in areas surrounding Communist territory. General Chu Teh, commander of the Communist armies, and General Chou En-lai, Communist Party representative at Chungking who arrived at Yen-an on July 15, informed Mr. Soderbom that the Chinese Communist Party would not dissolve and that the Communists would resist any Chungking military attack against them. Speeches by Communist leaders at a mass meeting of 8,000 people at Yen-an on July 9, at which Mr. Soderbom was present, were characterized by criticism and defiance of and antagonism toward the Central Government and its policies.

The description given by this eye-witness of conditions in the Communist areas and of the atmosphere prevailing there appears to give further support to the feeling that the Communists will not willingly give up their government and army and that they are prepared to resist with force any armed attack against them by the Central Government. This readiness to resist Chungking also bears out at least partially the contention of the Communists that this was one of the compelling factors which has brought about a lessening of the tension between the Communists and the Central Government (Embassy's telegram No. 1325, July 28, 6 p. m.).

At the height of the tension between the Communists and the Kuomintang there appeared in the Chinese press in various cities in Free China demands, evidently Kuomintang-inspired, by cultural bodies and other organizations for the dissolution of the Chinese Communist Party (Embassy's telegrams No. 1240, July 21, 9 a.m. and No. 1489 of August 17⁴¹). Many of these articles referred to the dissension created in the Communist Party by the dissolution of the Comintern.

The publication of these articles has ceased within the past two weeks. According to one report, General Pai Chung-hsi brought about the cessation of such articles by informing General Chiang Kai-shek that they were creating an unfavorable impression both in China and abroad. It may also be that the Kuomintang found that this so-

⁴¹ Latter not printed.

called popular demand for the dissolution of the Communist Party did not achieve the expected results. It is interesting to note that this press campaign is similar to that employed at the time of the disbandment of the New Fourth Army (Communist) in 1941.

Respectfully yours,

GEORGE ATCHESON, JR.

[In a memorandum dated October 30, Troy L. Perkins of the Division of Far Eastern Affairs stated: "Mr. Soderbom's report tends to support the conclusions reached by other foreigners who have recently travelled through the Communist area: The Communists are not active militarily because of a lack of arms; they appear to be on good terms with the people, taxation and labor conscription being carried out in an equitable manner; the opium poppy is grown in Shansi to bolster guerrilla finances; and the Communists show no signs of acquiescing to Central Government threats or intimidation." (893.00/15134)]

893.032/23 : Telegram

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

CHUNGKING, September 7, 1943—3 p. m.

[Received 8:30 p. m.]

1648. The C.E.C. plenary session opened September 6 with Chiang Kai-shek presiding. In his opening address Chiang spoke of confidence in victory, but requested that the session concentrate on the question of postwar reconstruction.

Informed Chinese now seem generally of opinion that question of a new President will be resolved by Chiang's continuing [in] the post of Acting President.

ATCHESON

893.001/184 : Telegram

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

CHUNGKING, September 9, 1943—noon.

[Received September 10—9:32 a. m.]

1664. Embassy's 1648, September 7th.

1. From what we have been told by a number of competent sources the principal program of the present C.E.C. session appears to be taking shape along lines as follows:

(a) Chiang Kai-shek will assume the Presidency and that office will be given actual and extensive powers, thus legalizing the personal powers which Chiang now exercises. For example, the President is to be Commander in Chief of the armed forces (as Chiang actually now is); is to select and appoint his own government, including the presidents of the Yuan, Government Ministers (a power which Chiang now exercises within the limits of the necessity of maintaining balance between cliques, et cetera); is to have powers of veto; is to hold tenure of office for 5 years, may serve 3 terms and may hold other posts concurrently. These changes are said to have been devised by the Cheng Hsueh Hsi (Political Science Group) to reduce the influence of the group which is reportedly looked upon with disfavor by Mme. Chiang since her return because of criticism she heard in the United States of the Fascist trend of the latter's policies. While the purpose of the change is thus in part to meet American criticism that the Chinese Government is undemocratic it seems clear that the proposed powers to be given Chiang will actually constitute a legalized dictatorship.

Reportedly, some of the changes are not to be announced by the C.E.C. but in order to give them the appearance of popular support will be made the subject of resolutions to be passed by the P.P.C. scheduled to meet September 15.

(b) Other changes under consideration but not as yet definitely determined upon as the above are said to include establishment of a Cabinet with a Prime Minister and appointment of H. H. Kung to that post.

(c) The Communists will be offered acceptance into the Chinese political family as a legalized minority party provided they give up their armies and border governments and if as is expected they do not acquiesce in this almost complete sacrifice of their present power they will be publicly branded as bandits and rebels in the hope that the United States and rest of the world will so regard them. In support of the Government's position an extensive campaign is to be undertaken to publicize the alleged crimes of the Communists (recent articles and reports in the Chinese press indicate that this campaign already [is] under way).

2. There is now in Chungking a large number of provincial chairmen and high military commanders, including chairmen of Sinkiang and Yunnan. The probable primary reason for their presence is to give an appearance of support and unanimity to the elevation of the Generalissimo to the new post of "President with Power." Inclusion of practically all of the anti-Communist commanders may indicate that possible measures against the Communists in case of contingency will be a principal topic for military discussion. There will probably also be discussions regarding policy in the border regions and in dealing with agrarian disturbances.

ATCHESON

893.00/15137

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

No. 1563

CHUNGKING, September 10, 1943.

[Received October 9.]

SIR: There is enclosed a copy of a memorandum dated September 2, 1943,⁴² submitted by Mr. John S. Service, Second Secretary of Embassy attached to the staff of General Stilwell, reporting statements made by General Teng Pao-shan, Commander of the Central Government's 22nd Group Army with headquarters at Yulin, Shensi, to General Stilwell regarding Kuomintang-Communist relations.

Summary of memorandum. The recent tension between the Central Government forces and Communist troops in the Shensi border areas was due to a misunderstanding, the Chungking troops sent to that area being merely replacements instead of reinforcements as feared by the Communists. With respect to the war against Japan, the situation is fundamentally bad as no effective military action can be taken against the Japanese either in north China or in Inner Mongolia by either faction until military cooperation is achieved. The people in the Communist areas have benefitted by the democratic reforms instituted there and the improved conditions of government. Their morale and that of the Communist troops is good. Because of the strategic importance of north China, it would be desirable for the United States to have American military observers in that area in order to obtain more complete over-all information regarding the Japanese and to bring about needed military cooperation between the Kuomintang and the Communists, with the possible result of causing the Central Government forces to give attention to military matters rather than to political ones as is true at present. *End of summary.*

With regard to the question of military cooperation, General Teng admits that the present state of virtual immobilization of the forces of both the Communist and the Central Government troops in the border areas has created a fundamentally unsound situation and that, while complete reconciliation between the two factions appears at present to be unattainable, limited cooperation in the military sphere alone might be possible if the Kuomintang can be made to realize the importance of united military action against the Japanese.

General Teng explains that the stationing of American military observers in north China, both in the Communist and in adjacent areas, would also indicate to the Central Government the importance the United States attaches to the north China front, and he is of the opinion that their presence might not only result in causing Central Government forces to devote themselves to military rather than political matters but might at the same time provide assurance to the

⁴² Not printed.

Communists that their forces engaged in fighting the Japanese would not be stabbed in the back by the Central Government troops.

With reference to the possibility of a settlement of Kuomintang-Communist differences, General Teng expresses the opinion that the Communists are willing to accept Kuomintang terms in principle but that they are not convinced of Kuomintang sincerity in regard to the safeguarding of the democratic and governmental gains affected by the Communists in their areas and in the maintenance intact of the experienced and effective Communist guerrilla troops if placed under Kuomintang commanders. He has urged General Chiang Kai-shek, who, he states, desires to preserve peace between the two factions, to send impartial observers to the Communist areas who can give a fair report of conditions there.

Mr. Service states in the memorandum that the emphasis given by General Teng to the desirability of stationing American military observers in north China appears to indicate that it was this subject which was the primary purpose for his interview with General Stilwell, the call having been arranged on General Teng's initiative. (It is interesting that this suggestion that American military observers be stationed in north China has previously come from Communist sources (Embassy's telegram No. 654, May 6, 10 a.m.) and that this is the first occasion, so far as the Embassy is aware, on which Central Government military authorities have recommended such action.)

General Teng is described to the Embassy by Kuomintang critics at Chungking as being of liberal tendencies and as sympathetic toward the Communists. It is unlikely, however, that he is altogether viewed in that light by the Kuomintang in as much as he is entrusted with the leadership of Chungking forces which form the northern side of the blockade maintained around the Communist areas in Shensi and Kansu. Communist sources at Chungking state that General Teng is dependent chiefly on the Communist areas for food supplies for his troops, which may account in part for his more sympathetic attitude toward the Communists. It is also said that he has been summoned to Chungking to report on conditions in Suiyuan where there have been disturbances among the Mongols and that he may be named Chairman of the Kansu Provincial Government to succeed the present Chairman, Ku Cheng-lun, who has aroused much opposition among the Kansu population and who has not been successful in controlling the peasant uprisings in that province. General Teng is a native of Kansu, was formerly Military Governor of that province and would be expected to be more acceptable to the Kansu leaders.

Respectfully yours,

GEORGE ATCHESON, JR.

893.01/959 : Telegram

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

CHUNGKING, September 12, 1943—11 a. m.

[Received 5:35 p. m.]

1692. General Chiang's address at September 6 opening of CEC meeting, in which postwar, economic, and political reconstruction are the principal subjects and receive the greatest emphasis, has now been published in full translation by Central News Agency. Following are condensed excerpts:

"Now that final victory is drawing near we at this present plenary session should discuss thoroughly how to build a new, prosperous and strong China. We should center our discussion of the problem of national reconstruction and work out program which may be enforced immediately after the war. Failure in national reconstruction will reduce to naught our victory. This plenary session should deliberate carefully on military, party, political and economic developments and reconstruction based on the Three People's Principles and make decisions for postwar work.

Judging from the latest military situation, especially developments in the Pacific, our final victory will come within one year at the earliest, or after one year at the latest. But no matter whether the war is terminated within one year or after one year, it will not be difficult for us to pull through this. If during the period we do not redouble our efforts to make progress in various fields of work, particularly military, political and economic and make adequate preparations for postwar reconstruction, we shall still fail, when (if) we should have won the war. It is therefore imperative that we redouble our efforts for increasing our power of resistance and simultaneously make preparations for national reconstruction. This is the most important duty of the present plenary session.

The task of national reconstruction is manifold. But the most important phase is political reconstruction the foundation of which is enforcement of constitutional government. This plenary session should therefore resolve on the problems of the constitution of the National People's Assembly and the formulation and promulgation of the constitution in accordance with China's circumstantial requirements.

Secondly, after enforcement of constitutional government, our party should be on equal legal footing with other ordinary parties and the common citizens, and should enjoy equal privileges and rights, fulfill equal obligations and receive equal treatment from the State under the principles of the freedom of assembly organization, speech and publication in accordance with law. But as our party program is national revolution and reconstruction, both historically and morally, it has the responsibility of consolidating the foundation of the State and ensuring the enforcement of our principles. Though our party will be on equal footing with any other party, it will have greater responsibilities as it has a historical revolutionary mission.

Though our economic difficulties are increasing, our economic crisis is already over. Our economic outlook today merits optimism. First, a bounteous harvest through the country has been reaped during the current year. There is no fear of shortage of army and civilian food. Secondly, with a view of helping China overcome her wartime economic difficulties, the United States last year decided to earmark U.S. dollars 200 million of her U. S. dollars 500 million loan to China to be used for combatting inflation, upholding currency, increasing production and stabilizing prices. Consequently, continued worrying over inflation is unwarranted. Our economic situation is by no means without difficulties, but there is absolutely no danger to speak of.

There will be no more serious economic crisis in the coming 2 years of continued resistance, and right now we have to begin preparing for postwar reconstruction and the carrying out of Doctor Sun Yat-sen's industrial program, which requires us to set before us two major goals: the industrialization of China and the improvement of [the] people's livelihood. We shall need foreign investment and technical assistance to consummate our gigantic program of reconstruction. It is therefore desirable that some decision should be reached at the present meeting with regard to foreign trade, international economic cooperation and other related problems."

ATCHESON

893.01/960 : Telegram

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

CHUNGKING, September 12, 1943—1 p. m.

[Received 3: 52 p. m.]

1693. Chiang's address (Embassy's 1692, September 12) is noteworthy for its lack of any direct reference to or emphasis upon need of increasing China's war effort and indeed its almost complete lack of mention of war against Japan; for its heavy emphasis on national reconstruction as the principal problem facing China; for its unreal and almost fantastic optimism in regard to economic situation; and for its failure to make any reference to Communist problem.

Chiang's reference to constitutional government and democratic rights carries with it significant qualifications. He refers to the "promulgation of Constitution in accordance with China's circumstantial requirements." He also states that after the promulgation of constitutional government the Kmt should have equal status with other parties under the "principles of the freedom of assembly, organization, speech and publication in accordance with law". (It is understood that session has decided that "constitutional government" will be "enforced" 1 year after termination of war.)

Chiang is understood to have strongly denounced the Communists during one session of CEC.

ATCHESON

893.00/15132: Telegram

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

CHUNGKING, September 12, 1943.

[Received September 26—3:45 p. m.]

1694. As reported by Central News Agency, following are revised articles of the organic law of the National Government adopted by CEC September 10:

“Article VIII—The National Government shall have under the following 5 Yuan to exercise respectively the 5 political powers of administration, legislation, judicial, examination and control: (1) the Executive Yuan, (2) the Legislative Yuan, (3) the Judicial Yuan, (4) the Examination Yuan, (5) the Control Yuan. Each of the aforementioned Yuan may, accordance to law, issue orders.

Article IX—The National Government should have a President and from 25 to 37 councilors who shall be selected and appointed by the Central Executive Committee of the Kuomintang of China.

Article XI—The President of the National Government shall be the head of the Republic of China and shall represent the Republic of China in foreign relations.

Article XII—The President of the National Government shall be the Commander-in-Chief of the land, naval and air forces.

Article XIII—The President of the National Government shall hold office for the 3 years and he may be reappointed, provided, however, that after the enforcement of a permanent constitution and upon the inauguration of the President (Tsung Tung) elected he shall be relieved of his office. The state councilors of National Government shall hold office for the same duration. In case the President of the National Government is incapacitated by any cause, the President of the Executive Yuan shall act on his behalf.

Article XIV—All laws promulgated and all mandates issued by the National Government shall be signed by the President of the National Government accordance to law. Such laws promulgated and mandates issued shall be countersigned by the President or President of the Yuan concerned.

Article XV—The Presidents and Vice Presidents of the five Yuan of the National Government shall be selected and appointed by the Central Executive Committee of the Kuomintang of China from among the state councilors [upon?] recommendation by the President of the National Government. The President of the National Government shall be responsible to the Central Executive Committee of the Kuomintang of China and the Presidents of the five Yuan be responsible to the President of the National Government.”

ATCHESON

893.00/15119 : Telegram

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

CHUNGKING, September 12, 1943—2 p. m.

[Received September 13—8:10 p. m.]

1695. During a private conversation Wu Teh-chen, Secretary General of CEC, who has been very friendly, asked me what our people at home thought of China's internal problems. I said there was considerable concern over the continually deteriorating economic situation notwithstanding American efforts to be of assistance through credits, stabilization loans and now through supply of gold for free sale and that some quarters wondered why Chinese Government could not control important factors such as hoarding to keep down food costs which were adversely affecting China's soldiers as well as others. I said there was concern over apparent lack of interest in various Chinese quarters in increasing and making more effective China's war effort; there was concern over the Kuomintang-Communist differences, over the numerous and apparently increasing Fascist trends (some of which I described) and consequent weakening of practical democracy. I mentioned the increasing restrictions on travel by an increasing surveillance of foreigners.

Wu passed over the economic questions, said CEC meeting with its contingent gathering of military leaders had been giving discussion to military situation and inquired as to our attitude toward the Communist situation. I replied that it has always been one of the fundamentals of American policy in Far East that there should be a strong united China; that we accordingly viewed with concern any serious dissension among Chinese people which might militate against establishment and maintenance of a strong unified China especially now as the present differences weakened China's war effort by causing the immobilization in northwest of large numbers of some of China's best troops who might better be in Yunnan or on some active front and that the result was that neither these Government troops nor Communist troops being blockaded by them were fighting the Japs.

Wu replied readily that this was so and that it was most unfortunate that the situation kept some 20 divisions of good troops including mechanized troops from actively fighting the Japs and he launched into a defense of Government's "necessary" position vis-à-vis the Communists, emphasizing the valid contention that no national government could tolerate the maintenance by one group of a separate and independent government and army of its own. He said CEC was planning to "appeal" to Communists to keep their 1937 promises in hope of resolving the question.

He passed over Fascist question with statement that some things were necessary in wartime but China would never become Fascist as the people were fundamentally democratic.

I then told him of surveillance and passport difficulties encountered by Americans at Lanchow, of our recent difficulties in getting a visa for Sprouse ⁴³ to make a courier trip there, of the experience of Rice ⁴⁴ who before proceeding to his new post at Lanchow had requested usual provincial visas but could obtain a visa for travel only to Lanchow. I said we had hoped that with abolition of extraterritoriality such travel restrictions would be lifted rather than increased and that American officials and other nationals would be accorded in China same generous facilities and treatment accorded Chinese officials and citizens in the United States. Wu said that most certainly this situation should be rectified, that he was very glad I had told him of this and that he would see if he could not do something about it.

He added that he hoped we would talk together much more frequently in future and invited me to come to him at any time.

ATCHESON

893.01/961 : Telegram

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

CHUNGKING, September 14, 1943.

[Received September 14—3:30 p. m.]

1706. Central News Agency September 12 reports passage by Central Executive Committee of resolution according to which National Government will convene National Congress within 1 year after conclusion of war in order to have constitution adopted and promulgated, National Congress to decide upon date when constitution is to come into effect.

Text of pertinent portion of resolution is as follows:

“(1) The party and government organs of the whole country, with the exception of the provinces in the rear which should intensify the work of promoting local self government by taking advantage of the ground work already done, shall hereafter, as the lost territories are one after another recovered from the enemy, take active steps to help the people of the liberated areas to complete the establishment of local self government and the organization of professional bodies as soon as possible in order to lay a firm foundation for constitutional government, and this shall be regarded as the most important work in demobilization and national reconstruction;

⁴³ Philip D. Sprouse, Third Secretary of Embassy in China.

⁴⁴ Edward E. Rice, Second Secretary of Embassy in China.

(2) within one year after the conclusion of the war the National Government shall convene the National Congress so as to have a constitution adopted and promulgated, and the National Congress shall decide upon the date when the constitution is to come into force;

(3) those who have already become delegates to the National Congress in accordance with law, with the exception of those who have become disqualified owing to acts of high treason, death or other causes, shall retain their status of delegates; those electoral areas and professional bodies which either did not complete their election or were unable to hold the election shall elect their delegates in accordance with law and the election shall be completed at the latest 3 months before the convocation of the National Congress;

(4) the preparations for the convocation of the National Congress and the establishment of constitutional government shall be undertaken by the authorities concerned under the direction of the National Government."

ATCHESON

893.01/962: Telegram

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

CHUNGKING, September 14, 1943—4 p. m.

[Received 4:20 p. m.]

1708. We offer comment on the revision of the organic law of the National Government (Embassy's 1694, September 12) as it pertains to Chiang Kai-shek who was elected President by the CEC September 13 as follows:

1. The President is to be head of the Republic although the former Chairman (or President) of the National Government was not so designated or considered.

2. The President is empowered to represent China in foreign relations, thus legalizing power already in Chiang's hands.

3. The naming of the President as Commander in Chief of the Armed Forces gives legal backing to and ensures the continuation of the actual position already held by Chiang as Chairman of the National Military Council.

4. The requirement that the President sign all laws promulgated and all mandates issued by the National Government represents a further concentration of authority in Chiang's hands and precludes enactment of legislation contrary to his wishes.

5. The question of the limitation of the term of office of the President is academic as Chiang is not likely to have any rival for the position.

6. The President is given full power over the heads of the five Yuan as they are responsible to him and are to be selected by the CEC from state councilors named by him, thus making the executive, legislative

and judicial branches of the Government definitely subordinate to the head of the Government who is responsible only to the CEC of which Chiang [was] reelected Chairman. In addition he was reelected President of the Executive Yuan.

The effect of the revision is to legalize concentration of power in one man. By virtue of his various offices and personal power, Chiang has actually been holding practically all the power now being delegated to the Presidency. So far as it is known, Chiang has not resigned from any of his many positions.

The Cheng Hsueh Hsi (Political Science Group) is said to have dominated the CEC session but there are no indications that the CC clique has lost any of its real power secured to it by its efficient organization and administrative control throughout the party.

ATCHESON

898.00/15118: Telegram

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

CHUNGKING, September 14, 1943.

[Received September 15—3:50 p. m.]

1709. Following are excerpts from General Chiang Kai-shek's instructions to CEC September 13 regarding Communist problem, as reported by Central News Agency:

"First of all, we should clearly recognize that the Chinese Communist problem is a purely political problem and should be solved by political means.

If you share my view, we should maintain the policy of leniency and forbearance which we have consistently pursued in dealing with our domestic affairs with the expectation that the Chinese Communist Party will be moved by our sincerity and magnanimity, no matter in what ways they may slander us, or in what manner they may try to create troubles.

In spite of provocations we should abide by the manifesto of the Tenth Plenary Session: 'In the case of those who sincerely believe in the Three People's Principles, obey laws and orders, do not hinder prosecution of the war, do not attempt to upset social order, and do not seize our national territory in defiance of government decrees, the Central Government would overlook their past record either in thought or in deed, and should respect their opportunity, be they as individuals or as political groups, to serve the country.'

We should make it clear that the Central Government does not have any particular demand to make on the Chinese Communist Party but hopes that it will abandon its policy of forcefully occupying our national territory and give up its past tactics of assaulting national government troops in various sectors; thus obstructing the prosecution of the war.

We also hope that the Chinese Communist Party will redeem its pledge made in its declaration of 1937⁴⁵ and fulfill the four promises solemnly announced in that document."

ATCHESON

893.00/15120 : Telegram

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

CHUNGKING, September 15, 1943—10 a. m.

[Received 1:05 p. m.]

1712. Liberal-minded critics of the Party point out that the CEC resolution regarding future establishment of constitutional government, together with the Standing Committee's report on which it was based, constitutes chiefly an apologia for the continued deferment of such action by the Kuomintang and is completely defensive in tone, seeking to blame its own failure on Japanese aggression; that while the resolution provides for the convening of the National Congress within 1 year after the war, it requires that those electoral areas and groups which did not hold or complete elections shall elect delegates in accordance with the law, the election to be completed 3 months before the convocation of the Congress; and that if it was not possible to complete the election of delegates in peace time in more than 1½ years it would not seem likely that under early post-war conditions the election can be completed in 9 months.

Adoption of this resolution, which had been anticipated, has not materially increased the hopes of critics of the Kuomintang, who feel that the manner of selection of delegates will be determined by the Party with resultant complete control over the Congress. These critics believe that resolution is chiefly a result of Kuomintang reaction to American criticism of lack of democracy in China (both in the press and to Madame Chiang during her American visit). The resolution is, however, a step forward and may eventually result in making democracy possible even though the Kuomintang now has little if any intention of putting democratic principles into practical effect.

ATCHESON

893.00/15121 : Telegram

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

CHUNGKING, September 15, 1943—4 p. m.

[Received 5:48 p. m.]

1722. The press campaign against the Communists mentioned in our 1644, September 9, appears to be progressing. The Central News

⁴⁵ Dated September 22, 1937; for text, see Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 523.

Agency here published September 7, a report from the Shantung Provincial Government charging Communist troops with making unprovoked attacks on Central Government forces in Shantung province during July and August. Kuomintang local Chinese daily September 12 published report from Central News Agency, New York, that American papers have given great prominence to and American people have criticized attack.

Communists here say troops attacked were former Chungking forces which deserted to Japanese July 4. Communists also charge Chungking with encouraging such defections which (1) solve food and supply problem for the troops defecting, (2) provide opposition to Communists in occupied areas and (3) ensure presence of Chungking forces there when Japanese withdraw. We are reliably informed that Central Government is greatly concerned over extension of Communist control in North China.

ATCHESON

893.001 Chiang Kai-shek/1

The Chinese Ambassador (Wei) to the Secretary of State

WASHINGTON, September 15, 1943.

SIR: I have the honor to inform you that the Central Executive Committee of the Kuomintang at a session on September 13, 1943, unanimously elected Generalissimo Chiang Kai Shek to be the Chairman of the National Government of the Republic of China. The date of his formal assumption of office will be announced later.⁴⁶

Accept [etc.]

WEI TAO-MING

740.0011 Pacific War/3441: Telegram

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

CHUNGKING, September 16, 1943.

[Received September 16—9:30 a. m.]

1727. Emphasis on continued resistance against Japan was made in the final manifesto of the CEC session at closing meeting on September 13 and was included among three most urgent tasks laid down for the party and people, as reported by Central News Agency, as follows:

(1) China must increase power of resistance in order to win final victory, as only by unification of spirit and will and mobilization of all manpower and resources for the national cause can China effect military coordination with Allies and fulfill its mission in decisive war;

(2) China must promote democracy in order to fulfill the mission of national reconstruction.

⁴⁶ On October 6 Ambassador Wei gave the time as October 10 at 9 a. m.

(3) China must realize Sun Yat-sen's industrial program in order to improve people's livelihood.

ATCHESON

893.00/15124 : Telegram

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

CHUNGKING, September 17, 1943—noon.

[Received 11:09 p. m.]

1741. 1. A usually well informed and reliable Chinese source has commented to us on the recently concluded CEC session as follows:

a. From the beginning of the session on September 6 until the 10th feeling against the Communists ran high, Kuomintang die-hards demanding their liquidation by armed force. Successful counter-influences included (1) a telegram from T. V. Soong (which became generally known among the delegates) emphasizing the adverse effect in the United States of civil war in China and (2) advice to Chiang Kai-shek by Chang Chun who pointed out that the Szechuan militarists Teng Hsi-hou, Lui Wen-hui and Pan Wen-hua had not accepted invitation to attend the session and that in the event of civil war their forces would lie astride the line of communications between Chungking and the Communist areas, thus giving them opportunity to capitalize on their opposition to the Central Government. Fu Tso-yi and Ma Hung-kuei, chairmen of the Suiyuan and Ninghsia Provincial Governments respectively, also opposed military action.

b. The session revealed China's dependence upon the United States: (1) need for financial assistance to which Chiang referred in his speech describing the uses to which part of the American credits to be put; (2) need for military equipment under Lend-Lease; (3) dependence upon the United States to defeat Japan.

c. The election of Chiang as President now makes him more independent of the CC clique and his power to make decisions without reference to others long exercised in some degree is thus reinforced.

2. The informant's description of the anti-Communist feeling prevailing at the CEC sessions corroborated by a statement made on September 10 by another well-informed reliable Chinese who spoke of the "war spirit" of the CEC and expressed fear that a manifesto might be issued tantamount to a virtual declaration of war against the Communists.

3. We feel that the informant's comments offer additional evidence both of the extent to which the United States is in a position to influence Chinese Government policy and of the Kuomintang's intention to liquidate the Communists if and when direct action can be taken without too adverse an effect upon China's international relations and the party's internal position.

ATCHESON

893.00/15145

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

[Extract]

No. 1594

CHUNGKING, September 18, 1943.

[Received October 14.]

SIR: Referring to the Embassy's despatch No. 1458 of August 13, 1943,⁴⁷ in regard to the Federation of Chinese Democratic Parties, I have the honor to enclose a copy of despatch No. 41 of September 2, 1943, from the Consul at Kweilin⁴⁸ describing the political platform of the Federation.

Summary. The Federation, which was organized in Hong Kong late in 1941, is said to include the following minority groups: (1) China Youth Party; (2) National Socialist Party; (3) Rural Rehabilitation Group; and (4) National Vocational Education Society. It is not believed to command a large following, its influence being exerted through the speeches and writings of its leaders and the prestige of those leaders. The Kuomintang is not expected to permit the Federation or any other minority groups in China to attain an effective voice in the conduct of the Government.

Representatives of the Federation feel, however, that the rapid deterioration of the military, economic and political situation in free China will make it impossible for the present right-wing Kuomintang-dominated Government at Chungking to continue indefinitely in power and that when the crisis comes they wish to have at hand a political platform based on democratic principles which will be acceptable to Kuomintang moderates, Communists, groups within the Federation and non-party Chinese. The political program proposed by the Federation is as follows: (1) In order to establish an actual united front against Japan, a "Council of National Affairs", as the supreme political organ for the national government, should be established immediately, from which is to be created a "Government of National Defense". The Council should be composed of 100 members, 40 of them Kuomintang, 20 Communist, 20 Federation and 20 non-party members. (2) The armed forces should be nationalized and freed from party politics. (3) All local and subordinate political administrations should be organized on a simple and rational basis. (4) The intellectuals should first be mobilized in order to effect mobilization of the people in general. (5) Local democratic organizations should be established in order to educate the people in democratic principles of self-government. *End of summary.*

Respectfully yours,

GEORGE ATCHESON, JR.

⁴⁷ Not printed; but see despatch No. 24, July 31, from the Consul at Kweilin, p. 298.

⁴⁸ Not printed.

761.93/1735

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

No. 1610

CHUNGKING, September 23, 1943.

[Received October 14.]

SIR: I have the honor to enclose a copy of despatch No. 53, August 28, 1943 from the Embassy officer at Sian in regard to Russian military advisers in Sian.

There have been numerous rumors current in recent weeks in regard to the status of the various Russian military advisers in free China (not including Sinkiang—Embassy's despatch No. 1272, June 19, 1943⁴⁹). The consensus of reliable opinion, which is confirmed in part by the Soviet Embassy here, is to the effect that although some of the advisers have recently returned to Russia they have been replaced by new arrivals, but that within the past two or three months all advisers assigned to troops in the field have been transferred to military schools or other institutions where their functions and activities are relatively restricted and unimportant.

Respectfully yours,

C. E. GAUSS

[Enclosure]

The Second Secretary of Embassy in China (Drumright) to the Chargé in China (Atcheson)

No. 53

SIAN, August 28, 1943.

SIR: As of possible interest to the Embassy, I have the honor to report the presence in Sian of eight Soviet Union military advisors. According to an official of the "Foreign Affairs Section" of the Bureau of Police, whose function it is to keep a constant check on the movements of foreigners residing in or passing through Sian, these gentlemen are attached to General Hu Tsung-nan's 34th Group Army in Sian. They reside in a hostel maintained by the Chinese authorities.

According to foreign missionaries with whom the subject has been discussed, there have been Russian military advisors at Sian for the past four or more years. These informants have the impression that the personnel is changed about once in a year, the advisors in residence returning to the Soviet Union to be replaced by new arrivals. A missionary informant who resided adjacent to the hostel where these advisors were housed for more than two years asserts that they gave the impression of being idle most of the time, seldom leaving their habitation other than to obtain exercise. He states that although he made numerous advances he was unable to strike up an acquaintance—

⁴⁹ Not printed, but see footnote 80, p. 249.

ship with any of them; on one occasion his tender of Bible literature in the Russian language was summarily rejected. Following this incident, according to my informant, the Chinese manager of the hostel made inquiry as to what he was trying to present to the Russians and the motive therefor.

It is the consensus of local foreign missionaries that the Russian advisors are very closely watched by the Chinese authorities, that their presence in Sian is viewed with suspicion, and that their functions are nominal only.

Respectfully yours,

EVERETT F. DRUMRIGHT

893.01/963

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

No. 1611

CHUNGKING, September 23, 1943.

[Received October 14.]

SIR: I have the honor to refer to the Embassy's despatches nos. 999, March 15, 1943; ⁵⁰ 1079, April 14, 1943, and 1273, June 19, 1943,⁵¹ in regard to increased Central Government control in Yunnan, and to enclose a memorandum ⁵⁰ containing further information submitted by the Consul at Kunming under date of September 4, 1943.

Summary: The Central Government's hold on Yunnan is now virtually complete. The only important area of the province still under effective Provincial Government control is along the Indochina border west of the Yunnan-Indochina Railway. The power of Y. T. Miao and Lu Ch'ung-jen, two important political figures of Yunnan, has declined in recent months, especially since the appointment in March, 1943, of General Ch'en Ch'eng as commander-in-chief of the Chinese Expeditionary Force in Yunnan.

Respectfully yours,

C. E. GAUSS

893.00/15131: Telegram

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

CHUNGKING, September 25, 1943—2 p. m.

[Received September 26—12:44 a. m.]

1804. The Third People's Political Council opened September 18 with 193 of 240 delegates in attendance. Although local press announced that members of Communist Party and of all other political parties were present, actually only 5 representatives of minority

⁵⁰ Not printed.

⁵¹ Despatch No. 1273 not printed.

parties attended (1 Communist, 1 National Socialist and 3 China Youth Party delegates). The Government had endeavored to obtain large minority party delegation but many minority delegates are reported to have refused to attend, some allegedly fearing to come to Chungking because of the secret police and others feeling that the PPC is under complete Kuomintang control. This attitude toward the PPC seems to have developed largely since last year's session.

On September 21 General Ho Ying-chin during report on military affairs is said to have made bitter attack against the Communists which resulted in the withdrawal of the single Communist delegate from the meeting. The only publicity given to this incident was a report in the local Communist daily that the Communist delegate withdrew from the PPC after his report and would not again attend.

The PPC meetings, coming so soon after the CEC session, have been somewhat anti-climactic and are expected to do little more than echo what has been resolved by the CEC. Neutral observers believe that the PPC will emphasize the advent of constitutional government after the war. Wang Chung-hui and Wang Shih-chieh have been elected members of the PPC Presidium, apparently with a view to increasing the prestige of the Council, while Chiang Kai-shek has resigned from the Presidium presumably because of his election to the Presidency of the National Government.

We will expect to report further by despatch ⁵² at the close of the PPC session.

GAUSS

893.00/15141

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

No. 1637

CHUNGKING, September 29, 1943.

[Received October 14.]

SIR: I have the honor to enclose a copy of despatches No. 127 of August 19 and No. 140 of August 30, 1943, from the Secretary on detail at Chengtu ⁵³ in regard to a revolt of peasants during July 1943 in the vicinity of Suifu, Szechuan, against Central Government troops.

Summary. Foreign observers report unusual air activity, concentration of Central Government troops in the Suifu area and the withdrawal of small units of Szechuan provincial troops from that area prior to the outbreak of actual disturbances between the peasants and the Central Government troops in the Suifu area on July 16. It was not until July 27 that the troops were able to quell the revolt

⁵² Despatch No. 1676, October 14, not printed; it reported appointment of Shao Li-tzu, former Chinese Ambassador in the Soviet Union, as Secretary General of the People's Political Council.

⁵³ Neither printed.

which was perhaps aided by provincial troops of General Liu Wen-hui, Chairman of the Sikang Provincial Government and one of the leaders of the Szechuan military group. The revolt is described as having been directed against the Central Government's method of conscription and levying of taxes and against thieving by Central Government troops and to have been instigated partially by a local secret society known as the "Big Blade Brigade". As an aftermath to the trouble, the Central Government troops methodically searched every farmhouse in the area and took away clothing, bedding and valuables and levied contributions of money from the peasants. *End of summary.*

Although the Central Government apparently crushed this revolt against its authority, this incident offers further indication that the Chungking authorities have no real solution to the problem of peasant revolts save that of force and that reforms directed toward preventing such outbreaks are still not being carried out by the National Government.

Respectfully yours,

C. E. GAUSS

893.00/15158

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

No. 1640

CHUNGKING, September 29, 1943.

[Received October 29.]

SIR: Referring to the Embassy's telegram No. 1804 of September 25, 2 p.m. in regard to the People's Political Council, I have the honor to enclose a copy of a memorandum dated September 22, 1943,⁵⁴ regarding the withdrawal of the Communist delegate from a meeting of the People's Political Council, prepared by Second Secretary John S. Service of this Embassy who is detailed to General Stilwell's staff. The memorandum is based upon information obtained from Communist sources.

Summary of Memorandum. During a secret session of the People's Political Council on September 21, General Ho Ying-chin, Chief of Staff and Minister of War, included in his report on military affairs a bitter tirade against the Chinese Communists, accusing them of (1) attacking Central Government troops, (2) violent propaganda against the Kuomintang and the Central Government and personal attacks against Chiang Kai-shek, (3) planting opium poppy and (4) counterfeiting Central Government banknotes. During interpellation time in accordance with fixed rules, the Communist delegate, Mr. Tung Pi-wu, submitted to General Ho various questions which were in the nature of a refutation of the charges. At the conclusion of the interpellations, three Kuomintang delegates gained the floor and gave support to the charges against the Communists. Mr. Tung thereupon

⁵⁴Memorandum not printed.

requested permission to withdraw from the meeting on the grounds that it had devolved into an attack on him and his party and, following the meeting, addressed a letter to the Presidium giving his reasons for withdrawal and stating that he would not continue to take part in the People's Political Council (General Ho did not answer the questions). The only publicity given to this incident was that in a report in the local Communist daily to the effect that the Communist delegate had withdrawn from the meeting and would not again attend. Mr. Tung states that, prior to the convening of the present session, Dr. Wang Shih-chieh, Secretary-General of the P.P.C., informed him of his strong desire that he (Tung) attend the P.P.C. session and assured him that the meetings would not be made the occasion for an attack on the Communist Party. *End of summary.*

Communist representatives at Chungking state that the P.P.C. subsequently sent emissaries to persuade Mr. Tung to return to the meetings but that the Communist delegate remained adamant in his decision not to participate again in the P.P.C. session.

Respectfully yours,

C. E. GAUSS

761.93/1732 : Telegram

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

CHUNGKING, October 5, 1943—noon.

[Received 4: 15 p. m.]

1864. An official of Cabinet rank, speaking "very privately", informs us that recent Soviet withdrawal from Sinkiang has been due to only one reason: almost complete *rapprochement* between the Sinkiang chairman and the Central Government; that, while the change reflects considerable political success on part of Central Government, consequent economic problems are almost insoluble. He states that an arrangement has been made with the Sinkiang chairman whereby the latter continues to issue and use his own currency pegged at 1 to 5 for National currency, but Sinkiang people will not use National currency even at this rate and Sinkiang currency is not acceptable in China outside of the province, making it impossible for Sinkiang inhabitants to purchase from China quantities of tea (regarded as a necessity), sugar and various consumers' goods including clothing formerly obtained from Russia. He did not deny or affirm report recently current that the Central Government was purchasing at very high prices a large number of trucks to ship tea, sugar, et cetera, into Sinkiang but said Government was endeavoring to supply some of these articles to the province. He said that about one regiment of Soviet troops still remained at Hami and there were still some Soviet airplanes in Sinkiang. (According to Consul, Tihwa, 300 trucks and 8 airplanes at Hami.)

GAUSS

761.93/1738

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

No. 1650

CHUNGKING, October 5, 1943.

[Received October 28.]

SIR: I have the honor to enclose a copy of despatch no. 33 of September 3, 1943 from the Consul at Tihwa,⁵⁵ in regard to the treatment and citizenship status of *émigré* Russians in Sinkiang Province.

Summary: The citizenship status of *émigré* Russians in Sinkiang is one of the outstanding problems between the Russian and Sinkiang authorities. Most of the 14,000 Russian *émigrés* now residing in Sinkiang went there in 1919 and 1920 as part of or accompanying the so-called "White Guard" military forces of Aninkov, Dutov, and one other Russian general. During 1941 a large number were reported to have returned to Russia, perhaps as a result of ill-treatment by the Sinkiang authorities who, since 1930, have inducted some into military service, imprisoned others, and imposed harsh police measures on all.

The Chinese authorities refer to the Russian *émigrés* as "naturalized persons" and otherwise treat them as if they had no Russian nationality. This circumstance appears to have troubled Soviet consular representatives in Sinkiang who, reflecting the attitude of the Soviet Government in respect to the repatriation of desirable *émigrés*, appear either to have facilitated or not to have opposed the escape of some from Chinese jurisdiction.

Respectfully yours,

C. E. GAUSS

893.44 Chiang Kai-shek/122

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

[Extracts]

No. 1651

CHUNGKING, October 6, 1943.

[Received October 28.]

SIR: Referring to the Embassy's despatch No. 1220 of May 31, 1943, in regard to the publication of General Chiang Kai-shek's book *China's Destiny*, I have the honor to enclose⁵⁶ (a) a copy of a critical review of the book written by a Chinese Communist and distributed in English translation by Communist Party representatives at Chungking; (b) a brief digest of the review prepared by the Embassy; and (c) a copy of an article entitled "Questioning the Kuomintang," which is said to have appeared in the Communist daily at Yen-an on July 12, 1943, and which was received by the Embassy from Communist sources.

⁵⁵ Not printed.⁵⁶ Enclosures not printed.

Summary. The review of Chiang Kai-shek's book is bitterly critical of the Kuomintang, expresses belief that the author of *China's Destiny* opposes democracy and states that the viewpoints in the book contradict those of Dr. Sun Yat-sen. The article from the Communist daily at Yen-an is equally critical of the Kuomintang and charges many Kuomintang members with being traitors. These articles, together with similar articles by Chinese Communist writers distributed in Chungking, apparently mark the beginning of a Communist campaign to expose Kuomintang shortcomings as a means of meeting the recently inaugurated Kuomintang press propaganda campaign to give publicity to Communist "crimes." Possibilities of any agreement between the two parties are expected to be lessened by the increasing bitterness likely to result from this propaganda war. *End of summary.*

It would seem that the Chinese Communist Party is determined to meet the Kuomintang propaganda campaign to expose Communist "crimes" with one intended to give publicity to Kuomintang "crimes." The Communist delegate to the Third People's Political Council has informed an officer of the Embassy that the Chinese Communist Party has been forced to take such action because: (1) at the end of June when General Chou En-lai and General Lin Piao returned to Yen-an, the Communist Party had assumed that the Kuomintang intended to reach a political settlement of outstanding questions between the two parties, but the concentration of Central Government troops around the Communist areas during early July convinced the Communists that a military solution was the only one envisaged by the Kuomintang; and (2) the Kuomintang had long called the Communists "traitors" and their armies "traitor armies" and had recently begun a press campaign to discredit the Communists and to make a pretense of strong public opinion for the disbandment of the Communist Border Government and its army. Thus in self defense the Communists, who had never directly attacked the Kuomintang in their propaganda, were now forced to retaliate and expose Kuomintang "crimes."

It may be concluded that, in spite of the ostensibly conciliatory policy adopted by the Kuomintang at the time of the C. E. C. Plenary Session in September, a lessening of tension between the Kuomintang and Communist parties is scarcely to be expected if the propaganda campaigns continue with resultant growing bitterness between the two.⁵⁷

Respectfully yours,

C. E. GAUSS

⁵⁷ In a memorandum dated November 5 Augustus S. Chase of the Division of Far Eastern Affairs made the following comment: "This despatch describes a newly launched Chinese Communist propaganda campaign against the Kuomintang . . . A surprising feature of the new campaign is the fact that the Communists appear to have been distributing their propaganda openly at Chungking—even using the local mails."

893.001 Chiang Kai-shek/4a: Telegram

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

WASHINGTON, October 7, 1943—7 p. m.

1435. Please convey the following message from the President to Generalissimo Chiang Kai-shek upon the occasion of his inauguration on October 10 as President of the Republic of China:

"On the occasion of your inauguration as President of the Republic of China, I gladly convey to you my congratulations and best wishes for your success and personal well-being. Your elevation to the highest office in the Government of the Republic of China is recognition of the inestimable service you have rendered the Chinese people in the past and of the services you are to render in the future in leading them to victory, peace and freedom."

HULL

740.0011 Pacific War/3509

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

No. 1655

CHUNGKING, October 7, 1943.

[Received October 28.]

SIR: I have the honor to enclose a memorandum of a conversation with the Polish Ambassador of October 6, 1943,⁵⁸ in which the latter and his Military Attaché outlined their interpretation of Soviet Russia's international policies and plans of the past few years and set forth by indirection and implication some argumentation against the setting up by the Allies of a new second front in Europe.

We here in this isolated place are scarcely in a position to suggest whether the Polish Ambassador's and the Polish Military Attaché's remarks have significance per se. They are of interest to us chiefly because of their propaganda nature and, as the Polish Ambassador usually seizes every possible opportunity to spread propaganda in behalf of Poland and against Soviet Russia, it occurs to us that his activities in this connection may be undertaken by direction and that possibly Polish representatives in other places are engaged in similar activities which are anything but in the general interests of the cause of the United Nations.

The Embassy has previously reported how deeply fear and mistrust of Soviet Russia is ingrained in the Chinese official mind and there is no reason to believe that the Polish Ambassador and his Military Attaché are any more restrained in expressing their views to Chinese officials than they were in the conversation under reference. Further poisoning of the Chinese against Soviet Russia (irrespective

⁵⁸ Not printed.

of what foundation may exist for some of the views expressed) is definitely detrimental to our general cause in this theatre. There is plentiful evidence already of the detriment to China's war effort (which at best has been and continues to be negative) consequent upon China's suspicion and resentment against Great Britain and Soviet Russia. We accordingly raise, for consideration, the question whether it might not be advisable for the British Government to endeavor to impress upon the Polish Government the desirability that Polish representatives refrain from activities which tend to vitiate, rather than give affirmative inspiration to, such inclination as the Chinese Government may have toward effectively contributing further within its capacities to the war against Japan. As the Department is aware, the long-standing difficulties between the Kuomintang and the Chinese Communists (which in the Chinese mind have more and more become integrated with Chinese apprehension in regard to possible Soviet Russian designs upon Manchuria and north China) continue to immobilize some of the best divisions of the Central Government's armies and are an important contributing factor in the virtual stalemate between the main Japanese and Chinese forces which has existed in this country for over three years.

Respectfully yours,

C. E. GAUSS

740.0011 Pacific War/3406

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

No. 417

WASHINGTON, October 8, 1943.

SIR: The Department has received the Embassy's despatch no. 1430 of August 4, 1943 and considers the despatch an excellent piece of reporting on the part of Mr. Sprouse, Third Secretary of the Embassy. The information contained in the despatch and its enclosures⁶⁰ and Mr. Sprouse's interpretative comment constitute a very useful contribution toward the Department's understanding of recent developments in relations between the Chinese (Kuomintang) Government and the Chinese Communists.

The Department is confident that the Embassy will continue to follow closely and discreetly developments between the Kuomintang and the Communists. Special note is taken of the suggestion in the despatch prepared by Mr. Sprouse regarding the possibility that "Central Government control over the areas now under its authority" might "become so weakened through local dissension as to make any such areas susceptible to Communist propaganda . . ." The Em-

⁶⁰ Enclosures not printed.

bassy will of course report available information in this regard and information in general with regard to any spread of Communist or other dissident influences.

Very truly yours,

For the Secretary of State:
A. A. BERLE, JR.

761.93/1734 : Telegram

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

CHUNGKING, October 13, 1943.

[Received October 13—11:15 a. m.]

1935. Embassy's 1864, October 5, last paragraph. Consul [at] Tihwa now reports that he was informed by provincial chairman October 9th that on October 6th some 400 Soviet troops and 7 planes evacuated Hami and that remaining 100 troops and 2 planes are to leave upon signature of documents covering sale of Soviet installation there to Chinese. Consul previously reported agreement reached on sale for Sinkiang 2,000,000 (U. S. 500,000) but money not yet paid.

GAUSS

893.00/15166

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

No. 1675

CHUNGKING, October 14, 1943.

[Received November 6.]

SIR: Reference is made to the Embassy's telegrams No. 1709, September 14, and No. 1741, September 17, 12 noon in regard to the discussion of the Chinese Communist question by the 11th Plenary Session of the Central Executive Committee of the Kuomintang in September and to the Embassy's despatch No. 1639 [1636] of September 29, 1943,⁶¹ regarding the C.E.C.

There are now enclosed the following, as reported by Central News Agency's English Service: (a) copy of General Chiang Kai-shek's instructions to the C.E.C. Session on the Communist problem;⁶² (b) copy of the resolution adopted by the C.E.C. in regard to this question; and (c) copy of the resolution approved by the Third People's Political Council at its session in September regarding the 18th Group Army (Communist).⁶³

⁶¹ Despatch not printed.

⁶² Dated September 13; for text, see *United States Relations With China*, p. 530.

⁶³ Last enclosure not printed.

Summary. The attitude of the Kuomintang toward the Chinese Communist Party, as indicated in the instructions issued by General Chiang Kai-shek at the C.E.C. Session and in the resolution adopted by the C.E.C. on the Communist question, is outwardly conciliatory. Other indications are that, while there has been no change in the military situation in the border region, relations between the two parties have worsened, those indications being comprised in the bitter propaganda campaign now being carried on by both the Kuomintang and the Communist Party (Embassy's despatch 1651 of October 6), the attack made on the Communist Party by the Minister of War at the Third People's Political Council in September, the resolution adopted by the P.P.C. on the question of the Communist army, the reduction of the number of Communist Party representatives at Chungking and the reported recently instituted close surveillance by Kuomintang secret police of those representatives. It is generally believed that the Central Government is committed to a policy of liquidation of the Chinese Communist Party by one means or the other and that this policy will be carried out if and when the Kuomintang decides that it can be achieved without too great danger to its internal position and to China's international position. The peaceful settlement of the Communist problem and the ascendancy of liberal elements over Communist and Fascist groups in China are matters of serious concern to the United States. *End of summary.*

Kuomintang Charges Against the Chinese Communists; Communist Denial

Both General Chiang Kai-shek's instructions to the C. E. C. and the C. E. C. resolution on the Communist problem state that the Communist problem is a political problem to be solved by political means. They emphasize the failure of the Chinese Communist Party to fulfill the promises made in its manifesto of September 22, 1937,⁶⁴ in which the Communist Party is said to have agreed (1) to struggle for the thorough realization of Dr. Sun Yat-sen's Three People's Principles; (2) to abandon its policy of attempting to overthrow the Kuomintang's political power; (3) to abolish its soviet form of government and "to realize political democracy", thus helping to bring about the political unity of the nation; and (4) to reorganize the Chinese Red Army into a national revolutionary army under the command of the National Military Council, the army to await orders to move to the front to fight the Japanese. The Communists affirm that they have carried out these promises and that the promise "to realize political democracy" has been fulfilled in areas under Communist control in that a democratic form of government has been established in those areas under which one-third of the representation in the government is Communist, one-third Kuomintang and one-third members without party affiliation. They add that this promise envisaged the establishment of similar governmental forms in the Kuomintang-controlled

⁶⁴ For text, see *United States Relations With China*, p. 523.

areas and that this idea was implicit in the statement that the Communist Party would "realize political democracy in the hope that the political power (of the people) of the whole nation might be unified." They point out that their armies have opposed the Japanese since the beginning of the war, without receiving any military supplies and drugs from the Central Government since the end of 1938 and without governmental subsidies since 1939.

In General Chiang's instructions and in the C. E. C. resolution the Communist Party is accused of sabotaging the war effort and of endangering the security of the state and the tolerant attitude of the Kuomintang is pointed to, as shown in the manifesto issued by the 10th Plenary Session of the C. E. C. in November 1942 in which the C. E. C. declared that the Central Government was prepared to overlook the past record, either in thought or in deed, and would respect the opportunity of individuals or political groups to serve their country.

The Minister of Information on several occasions during recent months has bitterly attacked the Communists at his weekly press conferences. In reply to a question from newspaper correspondents at a press conference shortly after the conclusion of the C. E. C. Session in regard to the measures to be adopted to solve the Communist problem if political means failed, the Minister stated that the Kuomintang would seek a solution on the basis of the resolution passed and of the views expressed by General Chiang and that it was hoped that the Chinese Communists would place national interests above those of their party and would not hinder the prosecution of the war.

The Central Government has recently charged the Communists with attacking Chungking troops instead of engaging in operations against the Japanese (as in General Chiang's instructions to the C. E. C. and the Kuomintang press propaganda campaign against the Communists). This was one of the charges made by General Ho Ying-chin, Chief of Staff and Minister of War, during the recently concluded session of the Third People's Political Council (Embassy's telegram No. 1804, September 25, 2 p.m.). Mr. Tung Pi-wu, the Communist delegate to the P. P. C., in denying at the P. P. C. session the truth of the charge, pointed to the existence in General Ho's files of letters from his commanders in the field reporting that Communist troops had on the occasions mentioned by Ho come to the assistance of the Chungking troops and had aided them in repulsing the Japanese. The Communists also state that the recent report that the Communist troops had attacked Central Government troops in Shantung (Embassy's telegram No. 1722, September 15, 4 p.m.) was without foundation, that these troops were former Chungking forces which had deserted to the Japanese in early July previous to the attack

made on them by the Communists and that the headquarters of the Shantung Provincial Government at Chungking had never received such a report and was completely surprised to see the report published. According to the Communists, the Kuomintang fears that the end of the war may find the Communist troops rather than Central Government forces in control in those areas of north China from which the Japanese withdraw and that the Central Government may not be sufficiently strong to oppose them successfully. In this connection, the Communists charge that the Chungking authorities are now encouraging defections from their own (Kuomintang) troops to the Japanese in north China as a means of providing opposition to the Communist forces, of solving the supply and food problem and of having their own troops in that area at the end of the war following Japanese withdrawals.

Possibilities of Compromise

General Chiang's instructions to the C. E. C. and the C. E. C. manifesto, coming at a time when there were fears of a Kuomintang ultimatum to the Chinese Communist Party, served to ease the tension momentarily and in a relative sense but it is an uneasy truce which continues to exist. (Generals Hu Tsung-nan, Deputy Commander of the 8th War Zone, Fu Tso-yi, Chairman of the Suiyuan Provincial Government and Commander of the Chinese Forces in Suiyuan, Ma Hung-kuei, Chairman of the Ninghsia Provincial Government, Chang Chih-chung, Chief of the Political Training Board of the National Military Council, and Chiang Ting-wen, Commander of the 1st War Zone, were all reportedly summoned to Chungking by General Chiang Kai-shek on very short notice at the time of C. E. C. session in September to participate in military conferences which are believed to have been related to possible action against the Communists.) Neither of the two parties seems willing to make concessions necessary to bring about an agreement. Such concessions on the part of the Communists would certainly entail the removal of the Communist army from the area it now occupies and its incorporation into other units of the Central Government forces, probably scattered over the entire country. The governmental power would be expected to be placed under Kuomintang control as is the case in other parts of free China, for it is not likely that the Communists would be permitted to retain any voice in the Government in their present areas unless that voice were backed by armed force—a force which would be lost with the relinquishment of its army. Kuomintang concessions, according to Communist sources, would entail the establishment of some form of representative government in which the Communist Party and other minority groups would have a share. It would also require freedom of

speech, of assembly and of the press—i.e. guarantees of security for the Communists.

It is debatable what the result of such a move would be at the present moment. Many liberal Chinese in addition to the Communists insist that establishment of a truly representative government would not necessarily entail the loss of a dominant voice in the Government by the Kuomintang but that it would mean the elimination of the oppressive and corrupt practices in which the Kuomintang now indulges in order to enable it to hold its power; that such a move would result in a greater spirit of unity on the part of the people and a genuine whole-hearted support of the war effort and of the Government. The Kuomintang on the other hand points to the unrest already existing and fears that without the strong controls now in existence chaos would result and that too much freedom at the present moment might lead to disruptive tendencies with every individual and every group trying to make its voice heard. The result is that there seems to be no common meeting ground for the two parties. The Kuomintang, therefore, continues to maintain its blockade of Communist-occupied territories, asserting that the slightest relaxation of that blockade will mean the extension of Communist control over adjacent areas. It employs the blockade both as a form of pressure on the Communist Party for the acceptance of the Kuomintang demands and as a preventive of the extension of Communist control.

Communist Estimate of Present Situation

The Communists state that General Ho Ying-chin's attack on the Communists is but one phase of the propaganda campaign decided upon by the Kuomintang to publicize and expose Communist "crimes". Mr. Tung Pi-wu warns that further reports of this type are to be expected in the future and that many of them will come from provincial, municipal and hsien assemblies. He asserts that the occasion of General Ho's attack was the first time since the organization of the P. P. C. that the Communists had thus been openly attacked, although an effort had been made to initiate such an attack during the P. P. C. session in 1942—an effort which was forestalled by his (Tung's) prompt protest. Mr. Tung states that General Chiang Kai-shek purports to feel that the Communist question is purely a domestic problem and that foreign opinion in this matter should be disregarded. He asserts that General Chiang has so informed his associates and has stated that in any event the American and British Governments are capitalist regimes which have no regard for the Communists. Mr. Tung is of the opinion that as matters now stand the situation is generally worse than at any time since the crisis in July of this year when the Central Government concentrated additional troops around the Communist

areas in Shensi. He expresses the belief, however, that General Chiang does give consideration to foreign opinion regarding the Communist problem in spite of his apparent indifference. He adds that the question of the Szechuan militarists also enters into any estimate of the situation and that the Central Government has recently moved an army corps from Paochi, Shensi, to Tahsien, eastern Szechuan, to provide for eventualities in the event of a Kuomintang-Communist conflict.

Communist sources state that General Chou En-lai, the Communist representative who left for Yen-an at the end of June, will not return to Chungking in the immediate future and that the question of his return may well serve as a barometer of improved relations between the Kuomintang and the Communists. It is to be noted that the Communist Party representation at Chungking has been reduced and that there remains only a minimum number considered essential in the operation of the 18th Group Army Headquarters and of General Chou's office and in the publication of the Communist daily and bi-monthly magazine. The Communists also state that following the withdrawal of Mr. Tung from the P.P.C. session their representatives have been under close surveillance by the Kuomintang secret police and that one non-Communist Chinese who was seen talking to Communist members on the street was followed and warned by the secret police that serious consequences could be expected if she were again found with Communists.

Chinese Suspicion of Soviet Russia

In the background of the situation is inevitably present a deep-seated Chinese fear and suspicion of Soviet Russia and its intentions with regard both to the Chinese Communists and the Northeastern Provinces. (The Embassy has reported on this subject on a number of occasions.) That the Russians are not altogether disinterested in the Chinese Communist Party is evident from the call made in July at the American Embassy by representatives of the Soviet Embassy at Chungking who expressed Soviet concern over the possibilities of civil war between the Central Government and the Communist Party (Embassy's telegram No. 1183, July 14, 12 noon). This fear gives added reason for the Kuomintang to wish to dispose of the Communist question before the conclusion of the war in order that a post-war Kuomintang-Chinese Communist struggle for control in north China may not occur. Even should Soviet Russia remain outside the war against Japan, there would exist the possibility of Russian assistance, outright or under cover, to the Chinese Communists.

Possibilities of Civil War

All these factors point to but one conclusion to the continued struggle between the two rival parties—civil war at some undetermined future date. Whether it will come prior to the conclusion of the war against Japan or after that date would seem to depend largely upon the Kuomintang's estimate of the possibilities of success. If the Kuomintang believes that it can embark upon such a campaign with chances of rapid success, it is possible that it will not await the end of the war against Japan. The end of the war in Europe will find a militarily-strong Soviet Russia which may be expected to take an active interest in the Far Eastern situation. That interest is likely to include the Chinese Communists and every day that passes brings nearer the possibility of Russian interference in the Communist situation in China. The Kuomintang may feel that the present offers the greatest chance of non-interference from the American and British Governments which might be expected to exert no great pressure against such a move because of a desire to keep China in the war. There would seem to be more arguments against the advisability of launching into civil war in the post-war period provided the Kuomintang should feel that it could successfully carry through such a campaign prior to that time. The present propaganda campaign against the Communists is expected by the Kuomintang to build up a picture of an obstructionist and disobedient Communist Party which is hindering the prosecution of the war against Japan and is in well nigh open revolt against the legally constituted government of China, contrary to the wishes of the people—a propaganda campaign which is perhaps a necessary prelude to outright action against the Communists.

The Embassy feels that the chief danger in the situation lies in a possible miscalculation by the Kuomintang of its chances of success if its armies attack the Communists. The Kuomintang may consider that it is strong enough to accomplish its objective—the liquidation of the Communists—before the end of the war. (In this connection, the Secretary of Embassy at Sian has recently reported that Central Government military officials there seem for the most part to make light of the military strength of the Communists, especially in respect to military equipment and supplies. They seem to suggest that the Chinese Communist forces, at least those in north Shensi, could be liquidated speedily and easily.) Indications are that the result of civil war in the near future would be the end of what little affirmative contributory war effort is now being made by China. The dissident provincial elements, such as the Szechuan militarists (whose possible

opposition was reportedly one of the reasons for the failure of the C. E. C. to issue an ultimatum against the Communists in September), are not likely to neglect an opportunity to "fish in muddy waters" and utter chaos might well result. The general condition of Central Government troops, suffering from malnutrition and insufficient medical attention and in many cases lacking—through long inactivity—the spirit to fight, would necessarily be a factor in any campaign against Communist troops, who are described by Central Government military officials as well led and trained, disciplined and of good fighting spirit but lacking military equipment in all categories.

The possible alternatives to any civil war in China may be (1) a compromise between the two rival parties, which, gained under the pretext of democracy, might serve through the limited exercise of such principles to prevent the spread of Communism in China or (2) the carrying out by the Kuomintang of democratic reforms, particularly in the agrarian field, designed to deprive the Chinese Communist Party of one of its greatest sources of popular appeal among the peasants. (The Communist Party's present strength has perhaps resulted largely from the failure of the Central Government to take any effective measures of agrarian reform and the Communist movement as at present constituted in its non-industrialized bases is chiefly a symbol of agrarian protest.)

It is of importance to the United States that there emerges a new China which will be friendly to the United States and which will not be torn by civil strife nor controlled by reactionary ultra-chauvinistic elements. There already exist among these powerful elements suspicion of western ideas and influence and some latent anti-foreignism which under their direction could readily be encouraged and extended over the country. If civil war is prevented and if the Kuomintang is forced by virtue of circumstances to give way to demands for reforms or for the broadening of the base of the government with resultant liberalizing influence, China may be saved both from Communism and from the perhaps worse evil of the Chinese brand of Fascism which masquerades under Sun Yat-sen's San Min Chu I. Fascist tendencies of this kind are becoming more and more evident. A solution of the Kuomintang-Communist problem which will avert civil war and by liberalizing the present regime lessen the influence of the reactionary elements now in power would provide a solution greatly to the advantage of the United States in the light of its long-term interests.

Respectfully yours,

C. E. GAUSS

[Enclosure]

C. E. C. ADOPTS RESOLUTION ON COMMUNIST ISSUE

Communists Be Persuaded To Redeem Pledge Made In Declaration
Of 1937

(Central), Sept. 13. The following is the English translation of the resolution passed by the 11th Plenary Session of the 5th Central Executive Committee of the Kuomintang regarding the problem of the Chinese Communist Party:

Having heard the general report on the Chinese Communist Party's activities subversive of the state and detrimental to our war efforts, we realize with deep regret that the said Party, instead of showing the slightest sign of being moved by the generous and tolerant attitude taken by the Tenth Plenary Session held last November, has actually intensified its activities of endangering the security of the state and sabotaging our war efforts.

Our holy war against aggression having passed through its most critical stage after 6 long years, the victory anticipated by the whole nation is already in sight. In order to ensure lasting freedom and welfare for the country and final triumph over aggression, the Government is firmly convinced that unless national unity is placed on a solid foundation, it is next to impossible to carry out successfully our program of resistance and reconstruction. Bearing in mind this guiding principle, the Government sincerely hopes that the Chinese Communist Party will refrain from committing acts undermining national unity and obstructing the prosecution of our war. It is with this purpose in view that the Government has consistently taken an attitude of forbearance towards the said Party. Animated, now as ever, by the same spirit, we do hereby resolve to entrust the Standing Committee with the task of settling this matter and of persuading in an appropriate manner the Chinese Communists to realize their past mistakes and honestly redeem the pledge made in their declaration of September 22nd, 1937, namely "(1) To struggle for the realization of the Three People's Principles; (2) To abandon the policy of creating disturbance and propagating the communist movement; (3) To dissolve the present Soviet government, thus helping to bring about the political unity of the whole nation; (4) To disband the Red Army by incorporating it in the National Army under the direct command of the Military Council of the National Government.["] In this way, national interests will be safeguarded, military orders and government decrees carried out, victory in our war of resistance and success in our reconstruction work assured, so that the fervent hope of the people may be fully realized. As the Plenary Session has resolved to convoke the National Congress within one year after the cessation

of hostilities to make and promulgate a constitution, all other problems can be discussed and solved in that Congress. The present session of the Central Executive Committee, while resolutely striving for the consummation of its fixed policy unifying the country and safeguarding the victory of war, hereby reiterates to the Chinese Communist Party its most earnest and sincere expectations.

893.00/15168

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

No. 1686

CHUNGKING, October 16, 1943.

[Received November 6.]

SIR: Referring to the Embassy's despatch No. 1675 of October 14, 1943, in regard to Kuomintang-Communist relations, I have the honor to enclose a copy of despatch No. 51 of August 27, 1943, from the Secretary on detail at Sian⁶⁷ reporting a conversation on that subject with General Li Kun-kang, Chief of Staff to General Hu Tsung-nan, Deputy Commander of the Eighth War Zone.

Summary. According to the despatch, General Li denies the rumors of Central Government troop concentrations in July on the boundaries of the Border Region in Shensi and states that there has not been and not now is there any intention on the part of the Central Government of using military force against the Communists. General Li is said to feel that the Central Government's policy is to seek a political solution of the Communist problem but he admits that the Chinese Communists will not be willing to disband their organizations. It is General Li's professed opinion that the Communists are weak, militarily and economically, that they do not enjoy the support of the people in the areas which they control and that they are not active militarily against the Japanese. Mr. Drumright adds that he has been unable to confirm that the Central Government troops concentrations against the Communist Border Region in July were anything more than replacement transfers. *End of summary.*

Central Government officials at Chungking who have discussed the matter with the Embassy have admitted the concentration of Chungking troops in Shensi during July, explaining it as a measure of pressure on the Communists for acceptance of Kuomintang terms (Embassy's telegrams No. 1136, July 9, 4 p. m.; No. 1173, July 13, 4 p. m.; and No. 1214, July 17, 6 [3] p. m.)

Denials of these reports have come from General Hu Tsung-nan himself, who was the commander of the Central Government forces in question, from General Chang Chih-chung, who denied even the concentration of any troops, and from various officials at Sian. Whether or not the concentrations represented an increase in the number of

⁶⁷ Not printed.

troops participating in the blockade of the Communist-controlled areas or merely replacement transfers, the purpose seems to have been an effort to impel Communist acceptance of Central Government demands and perhaps partially to prevent extension of Communist control in areas adjacent to their present territory.

Respectfully yours,

C. E. GAUSS

893.00/15148 : Telegram

*The Ambassador in China (Gauss) to the Secretary of State*⁶⁸

CHUNGKING, October 17, 1943—10 a. m.

[Received October 17—6:31 a. m.]

1968. Embassy's 1695, September 12; 1709, September 17 [14] and previous. Foreign Office Information Department official states that Chinese Government in about 1 week or 10 days will make important announcement in regard to Chinese Communist problem; that announcement will follow line laid down in General Chiang Kai-shek's instruction to CEC, September 13; ⁶⁹ that opinion in Foreign Office is to effect that an agreement with Communists will be reached by negotiation and that military action against them will be avoided.

Informant states that announcement will be timed to coincide with meeting of Foreign Ministers of USA, Britain and Soviet Union at Moscow in hope that problem of Chinese Communists will be brought to attention of that conference.

GAUSS

893.001 Chiang Kai-shek/9

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

[Extracts]

No. 1700

CHUNGKING, October 19, 1943.

[Received November 6.]

SIR: Referring to the Embassy's telegram No. 1913 of October 11, 1943,⁷⁰ in regard to the inauguration of General Chiang Kai-shek as President of the National Government of the Republic of China, I have the honor to enclose a copy of President Chiang's speech⁷⁰ broadcast to the nation on the day of the inauguration and to report further regarding the inaugural ceremony.

⁶⁸ Repeated by the Department on October 20 to the Ambassador in the Soviet Union.

⁶⁹ For text, see *United States Relations With China*, p. 530.

⁷⁰ Not printed.

Summary. General Chiang was sworn in as President of the National Government at the National Government Building on the morning of October 10, 1943, in the presence of high government officials. No foreign diplomatic representatives or newspaper correspondents were invited to attend the ceremony. In the afternoon following the ceremony, President and Madame Chiang received the members of the diplomatic corps and of the foreign military missions at Chungking. The Chinese vernacular and English language press carried reports of congratulatory messages from foreign governments and from various leaders throughout China. *End of Summary.*

President Chiang's Broadcast Message to the Nation

In his broadcast message to the nation on the night of October 10, President Chiang referred to Dr. Sun Yat-sen's policy of building up the Republic of China: China should fulfil the obligations and enjoy the rights of a civilized nation and should foster closer relations with friendly nations on the principle of peace with a view to elevating China's position in the family of nations and realizing the ideal of universal brotherhood; the territories of the Hans, Manchus, Mongols, Muslims and Tibetans should be welded together into one country and merged into one nation; and China should establish a republican form of government, improve the people's livelihood and fulfil the high aspirations of the nation through the consummation of the revolution. President Chiang stated that China was now engaged in a war in pursuance of this consistent policy. He explained how the Chinese people must exert themselves in order to establish a democratic government and pointed to the important prerequisite to the realization of the "Principle of Democracy": the democratic spirit lies in the observance of law and discipline and the Chinese people should grasp fully the true meaning of freedom and government by law and cultivate the habit of respecting freedom and observing law and discipline.

Respectfully yours,

C. E. GAUSS

893.00/15150 : Telegram

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

CHUNGKING, October 20, 1943—9 a. m.

[Received 3:20 p. m.]

1982. Embassy's despatch 1580, September 16.⁷¹ Telegram of October 15 from Clubb at Tihwa states native disturbances reported in Altai region and south Sinkiang and Turki language circulars said re-

⁷¹ Not printed.

cently distributed in Tihwa calling on people to rise against Sheng's rule.

Clubb reports (a) that Chinese officials reputedly believe disturbances are instigated by Soviets, but he believes unsettled political grievances of non-Chinese population and continuing economic deterioration are important factors in this situation.

GAUSS

761.93/1737 : Telegram

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

CHUNGKING, October 20, 1943—5 p. m.

[Received 5:35 p. m.]

1989. Consul [at] Tihwa reports that on October 16 he was told by Foreign Affairs delegate that Soviets have fixed price for Toutungho installation at U.S. [\$] 5,296,600; that formal negotiations not yet undertaken; that 200 of Soviet troops evacuating Hami have stopped at Toutungho and same number are at Tushan; that delegate has protested to local USSR Consul General and that Soviets have withdrawn from Wusu airfield but not from Ining and Toutungho fields. Consul surmises that Soviets intend to retain troops at Toutungho and Tushan until final arrangements for handing over of installations to Chinese are agreed upon.

Foregoing refers to Embassy's 1935, October 13 and despatch 1532, September 1.⁷²

Repeated to Moscow.

GAUSS

893.00/15152 : Telegram

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

CHUNGKING, October 21, 1943.

[Received October 21—4:40 p. m.]

1995. At his first press conference October 20 Liang Han-chao, newly appointed Minister of Information as successor to Chang Tao-fan, stated there will not be a civil war in China and that possibility of Kuomintang leading nation at war against Chinese Communists does not exist at all "since we are all engaged in the supreme task of defeating the enemy and winning the war." He said attitude of Kuomintang toward Chinese Communists can be summed up by President Chiang's message to CEC in September and that rumors of civil war has origin in oversensitiveness or ulterior designs of Chinese Communists to achieve certain political aims with hope of bringing about

⁷² Latter not printed.

solidarity within their party. Liang expressed opinion that Chinese Communist attitude toward Kuomintang and Central Government has been moderated since PPC session in September.

GAUSS

893.001 Chiang Kai-shek/11

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

No. 1722

CHUNGKING, October 22, 1943.

[Received November 6.]

SIR: Referring to the Embassy's despatch no. 1700 of October 19, 1943, in regard to the inauguration of General Chiang Kai-shek as President of the National Government, I have the honor to enclose a copy of despatch no. 161 of September 29, 1943, from the Secretary on detail at Chengtu regarding the reaction at that city to the acceptance by General Chiang of the presidency.

Mr. Smith's despatch, which contains a summary, is of chief interest in that it reveals, as stated in the despatch, the considerable prestige of General Chiang among the people as well as the bitter criticism of some of his close followers. The report mentioned on page 2 of Mr. Smith's despatch concerning the replacement of the Mayor of Chungking by ex-[*the late*] President Lin Sen's chief assistant is not correct; the present Mayor continues to hold his office.

Respectfully yours,

C. E. GAUSS

[Enclosure]

The Second Secretary of Embassy in China on Detail at Chengtu (Smith) to the Ambassador in China (Gauss)

No. 161

CHENG TU, SZECHUAN, September 29, 1943.

SIR: I have the honor to report that, as might be expected, there was little local enthusiasm shown over the Generalissimo's acceptance of the Presidency. Some nine thousand students of the Central Military Academy "spontaneously" demonstrated their enthusiasm in a parade through part of the city and there was a Kuomintang inspired fire-cracker celebration in the main business section.

Summary. There was not much apparent local enthusiasm over the Generalissimo's assumption of the Presidency except among the students of the Military Academy. However, political observers expressed gleeful admiration of the manner in which the Generalissimo had maneuvered the other three leading aspirants for the position into insisting that the Generalissimo take the post and being satisfied when

he took their advice. Such stories, whether true or not, enhance the Generalissimo's personal and political prestige in Chengtu.

Two of the best informed Chinese observers with whom I am in contact, neither of whom seems whole-heartedly in favor of the Central Government, made a special occasion to tell me with great glee and admiration of the clever manner in which the Generalissimo had managed to take the appointment without offending Wang Chung-hui⁷³ or the two other principal aspirants for the Presidency. They say that the Generalissimo called Wang Chung-hui in to see him and asked him to prepare most carefully a list of the functions, powers and responsibilities he thought the man acting as President should have. Wang returned to his home and after two days of hard work produced a most formidable list. The Generalissimo, after studying it carefully, remarked that it was a masterly piece of work and that he was in complete agreement with it, but one thing worried him. It was obvious that whoever accepted such great responsibilities could not possibly be spared to represent China at the Peace Conference. Wang Chung-hui reluctantly agreed. Then the Generalissimo asked Wang who he thought was the best fitted for the Presidency. Wang replied immediately that he thought the Generalissimo should take the Post. The Generalissimo said that, in his own opinion, Wang himself was the ideal man for the position, but, in view of the great need to have Wang free to represent China adequately at the Peace Conference, the Generalissimo would reluctantly agree to accept the responsibilities of the Presidency himself. Wang is said to have left the interview almost as happy over the promise of future glory as he might have been if his expectations of appointment to the Presidency had been realized. The Generalissimo then called the two other leading aspirants for the position in to see him, and showed them what he called "Wang Chung-hui's list" and asked them whether they had any criticism or suggestions. They offered no criticism but, being thus convinced that Wang Chung-hui had the inside track for the appointment, urged the Generalissimo to accept the position himself as the only man fitted to hold such a responsible position. The Generalissimo finally agreed with them with apparent reluctance, sending them away satisfied that even if neither of them had received the appointment, they had prevented Wang Chung-hui from getting it and making a life-time job of it. They could each nourish the hope that, when time came for the Generalissimo to relinquish the post, it would fall to them.

Having thus disposed smoothly of the leading aspirants for the position the Generalissimo is said to have appointed Ex-[*the late*] President Lin Sen's chief assistant to serve as Mayor of Chungking

⁷³ Secretary General of the Chinese Supreme National Defense Council and former Minister for Foreign Affairs.

and to have placed the deposed mayor in charge of the Presidential Office—thus disposing effectively of the problem of “hang-over staff”.

Many Szechuanese resent what they consider to be “poaching” on their private political preserves but even they seem to highly admire and privately laud the Generalissimo’s political acumen and skill. The admiration that such stories elicit is a real political force, whether or not the stories are true. The political prestige of the Central Government in Chengtu is considerably enhanced by the personal respect that is felt for the Generalissimo. Stories of his cleverness in dominating people and of his political foresight are favorite topics of conversations in Chengtu tea shops, along with bitter gossip about the foibles and failings of some of his chief assistants.

Respectfully yours,

HORACE H. SMITH

893.00/15180

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

No. 1739

CHUNGKING, October 27, 1943.

[Received November 18.]

SIR: I have the honor to enclose a copy of despatch no. 4 of September 21, 1943, from the Secretary on detail at Lanchow⁷⁴ reporting observations made to him by responsible and well informed Central Government officials at Lanchow in regard to the disintegration of the political and administrative authority of the Central Government and of the Kuomintang.

The despatch is of chief interest in that it reports criticism of the Chungking administration by its officials in an area where, together with the Sian area, the repressive tendencies of the Central Government are perhaps most strongly in evidence.

Respectfully yours,

C. E. GAUSS

893.00/15177

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

No. 1743

CHUNGKING, October 27, 1943.

[Received November 16.]

SIR: I have the honor to enclose a copy of despatch No. 86 of October 9, 1943, from the Secretary on detail at Sian⁷⁴ in regard to the centralization of military power in the Sian area under General Hu Tsung-nan, Deputy Commander of the 8th War Zone.

⁷⁴ Not printed.

Summary. General Wen Chao-chi, formerly Director of the Sian office of the Military Affairs Commission, has succeeded General Yuan Pu as Garrison Commander of Sian, a change apparently brought about by General Hu Tsung-nan. General Hu, the most important military figure in the Sian area, has gradually centralized power in his hands to such an extent that General Hsiung Pin, Chairman of the Shensi Provincial Government, finds the civil administration of the province hampered by military interference, demands and exactions. The demands of General Hu's armies for food and clothing have led to economic control and although Hu himself is said to be incorrupt his officers have engaged in malpractices in connection with taxation, conscription and bribery. There is doubt as to the wisdom of stationing certain armies and commanders in a given area over a period of years in view of the resulting evils which may endanger the future of the nation. *End of summary.*

Mr. Drumright's observations in regard to the stationing of troops and commanders in the same area over a long period are echoed by other observers who have seen the growth of vested interests of various Chinese commanders in other sections of free China who in acquiring military, political and economic control over an area place themselves in a relatively independent position vis-à-vis the Central Government authorities in the event of any possible future internal trouble in the nation.

Respectfully yours,

C. E. GAUSS

893.00/15182

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

No. 1747

CHUNGKING, October 28, 1943.

[Received November 18.]

SIR: Referring to the Embassy's despatch No. 1676 of October 14, 1943,⁷⁵ in regard to the Third People's Political Council, I have the honor to enclose (a) copy of a Central News Agency (Government-controlled) despatch of October 20, 1943, reporting the announcement by the Supreme National Defense Council of the Organic Law of the Committee for the Establishment of Constitutional Government and the appointment by President Chiang Kai-shek of the members of that Committee and (b) copy of a memorandum dated October 27, 1943, on this subject prepared by Mr. John S. Service, Second Secretary of Embassy attached to General Stilwell's Headquarters.⁷⁶

Summary. The organization of the Committee was approved by the Second Session of the Third P.P.C. in September upon the recommendation of President Chiang; its membership, appointed by the

⁷⁵ Not printed.

⁷⁶ Neither printed.

Supreme National Defense Council, is composed of Central Executive and Central Supervisory Committee members, delegates of the P.P.C. and experts in constitutional government. In accordance with the Organic Law of the Committee, announced by the Council, President Chiang, as Chairman of the Supreme National Defense Council, will be Chairman of the Committee. The Committee's function will be to investigate, examine, discuss and report to the Government on matters relating to constitutional government. Minority parties are reported to be critical of the overwhelming Kuomintang majority control of the Committee and the lack of appropriate minority representation and to be unwilling to cooperate in the work of such a committee. *End of summary.*

Organic Law of the Committee

The Organic Law of the Committee, which was established by the Supreme National Defense Council, provides for the membership to be appointed by the Council from the Central Executive and Supervisory Committees of the Kuomintang, from members of the People's Political Council (members of its Presidium to be ex-officio members of the Committee) and from among persons with experience in political affairs and constitutional government. Functions of the Committee are (1) to submit to the Government proposals concerning constitutional government; (2) to investigate local organs of public opinion; (3) to investigate the manner in which all laws relating to constitutional government are being enforced; (4) to serve as liaison between the Government and public organizations in matters relating to constitutional government and other political questions; and (5) to examine and discuss all matters concerning the enforcement of constitutional government according to the Government's instructions. All important questions are to be submitted to the government offices concerned through the Chairman of the Committee.

Membership of the Committee

The Committee is composed of 54 members, including the Chairman and the seven members of the P.P.C. Presidium. Forty-six of this number were nominated by President Chiang for appointment by the Supreme National Defense Council. Of the membership of the Committee approximately 35 are Kuomintang members, about 10 are members of independent minority groups and the remainder are without party affiliation. The majority of the latter, however, are expected to support the Kuomintang in view of their past record, some of them being bound by personal allegiance to President Chiang.

Moderate groups appear to have been given a dominant share in the Committee and the known representation of the reactionary CC clique is less than the total of the Political Science Group and Dr. Sun Fo's followers. A number of scholars and lawyers have been

named to the Committee. Only one military representative, General Hsiung Shih-hui, has been placed on the Committee, and he is considered a member of the Political Science Group.

Controversy between the Kuomintang and the Minority Groups over the Committee

The lack of support given by the minority party leaders to the P.P.C. during its session in September (there was negligible minority party representation in attendance) nullified the efforts of the Kuomintang to point to the increasing popular support behind the P.P.C. and increased existing doubts regarding the real attitude of the Kuomintang toward constitutional government. Therefore, prior to the establishment of the Committee discussions between the Kuomintang and the minority groups (except for the Communist Party) centered around the questions of legalization of minority political parties and the establishment of a committee independent from the P.P.C. to deal with matters relating to constitutional government. The result was the placing of the Committee under the Supreme National Defense Council which, while purely Kuomintang, is less obviously political than the Central Executive Committee of the Kuomintang and in theory is the highest organ governing the nation. The minority groups then insisted that their leaders or chosen delegates be named members of the Committee as representatives of their parties and that all minority parties be given representation. A list of members submitted by the minority party leaders to President Chiang was not, however, agreed to and three outstanding minority leaders were not appointed. Those appointed were named as experts or as members of the P.P.C. and not as representatives of their parties. The minority parties feel that the Kuomintang is attempting to break up their united front by the elimination of the three appointees requested.

Minority Party Criticism of the Committee

Minority party leaders resent the overwhelming Kuomintang majority control of the Committee which is under the Government rather than an independent committee and state that its powers are vague and its effectiveness doubtful. They particularly resent the fact that President Chiang is Chairman of the Committee in that his presence may be expected to prevent the free discussion and criticism necessary to the working of any such committee.

According to reliable reports the Communist Party was not consulted with regard to the composition or the organization of the Committee and its first knowledge thereof was the announcement by the Supreme National Defense Council. The Kuomintang in its publicity has, however, emphasized the part allegedly to be played in the com-

mittee's work by minority party personnel. A China Information Committee Bulletin (Ministry of Information release) of October 21 was headlined "Communists on Constitutional Government Committee" and devoted several paragraphs to the participation in the Committee of various minority party leaders.

As a result of the controversy, the minority parties are now reported to be unwilling to cooperate with the Committee and to have taken the position that they will not participate unless all minor groups are appropriately represented. The consequence of the criticism and controversy is that the Committee which is actually more moderate in composition than might have been expected or hoped for is hampered at the outset by political bickering. This circumstance will likely not only lessen the effectiveness of the Committee but will also make more evident, if not more voluble, the suspicion between the Kuomintang and the minor opposition groups.⁷⁸

Respectfully yours,

C. E. GAUSS

740.0011 Pacific War/3517 : Telegram

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

CHUNGKING, October 30, 1943—2 p. m.

[Received October 31—7:28 a. m.]

2044. Drumright at Sian in telegram October 27 reports as follows: Chungking armies recently transferred to Shantung now being withdrawn by Chiang Kai-shek's orders. Only three divisions guerillas remain north Yellow River, regular troops having been removed from that area. Important northern provinces thus almost entirely denuded of Chungking troops and only puppet, Communist and Japanese forces remain. During October three Chungking armies were moved to Shensi and Kansu from Honan as reinforcements on west flank of Communist border region. Over one million Chungking troops now in Honan but no indications of plans for North China offensive unless Japs completely collapse. Military leaders in Sian area apparently devoting chief attention to establishment closer relations with puppet forces who will at safe moment support Chungking.

GAUSS

⁷⁸ In a memorandum dated February 22, 1944, Troy L. Perkins of the Division of Chinese Affairs commented: "It is interesting to note that the minority parties, because they are not appropriately represented, are now reported to be unwilling to cooperate with the Committee, apparently in the hope that a show of independence may strengthen their position and even lead to the legalization of minority parties. This may indicate that some non-Kuomintang and liberal leaders see a possibility that the one-party monopoly can be effectively broken."

893.00/15183

*Memorandum of Conversation, by the Ambassador in China (Gauss)*⁷⁹

[Extracts]

[CHUNGKING,] November 1, 1943.

On invitation of Madame Chiang Kai-shek, I attended a tea at the Chiang residence yesterday afternoon . . .

After the usual exchange of courtesies (during which I extended my best wishes on his birthday), the Generalissimo turned to other subjects. I record the pertinent parts of the conversation.

[Here follow references to the "Tokyo-Nanking Alliance" and the Four-Power declaration.⁸⁰]

3. *The China Situation.* He then asked me pointedly what I thought of the China situation at this time. I avoided any reference to the political and military situation by saying that since my return from the United States I had been particularly interested in bringing myself abreast of the general position and had lately been studying the economic developments which had taken place during my absence. I continued that for the past six or more years China has been facing a rapidly developing economic situation which presented problems of great importance and difficulty even for trained economic experts; I had been a keenly interested observer of these developments and of the measures which had been taken to endeavor to meet them.

The Generalissimo then undertook an exposition of his views on the situation. He commented that the most important factor recently had been the provision of the gold loan from the United States. It had improved public confidence. He said that there are four important factors in the economic situation:

1. Public confidence.
2. Public administration.
3. Transportation.
4. Good harvests.

He regarded public confidence as of outstanding importance; and on this heading, he considered that two important elements in restoring or improving public confidence had been

1. The making available of gold by the United States.
2. The encouraging news of the progress of the war.

He repeated again that the action of the United States in making the "gold loan" available to China had been the most important factor

⁷⁹ Copy transmitted to the Department by the Ambassador in China in his despatch No. 7758, November 1; received November 18.

⁸⁰ Signed at Moscow, October 30, 1943, Department of State *Bulletin*, November 6, 1943, p. 308.

in restoring confidence; and he wished that I would let this be known to Secretary Morgenthau. He said that he also thought that if some publicity could be given in the United States to the fact that gold had been made available to China, the resulting publicity in China would have a beneficial effect in further strengthening public confidence. He said that the improvement in public confidence was reflected in a greater stabilization of the prices of necessities which had recently been noted. (Note: At a recent press conference the Government spokesman told foreign correspondents that there has been a stabilization in the price of rice, cotton yarn and cotton cloth, and even a slight decrease—very slight indeed, but nevertheless a decrease—in the price of coal. CEG).

4. *The End of the War.* In response to my comment that I hoped that this improvement in the situation would continue, the Generalissimo said that he thought it would and that the end of the war is in sight. He said that he thought another year would see the principal battles fought and won; then perhaps it might take a little time to mop up and complete the picture.

The balance of the conversation was more personal—my health, the new Embassy quarters on the north bank, et cetera.⁸²

C. E. GAUSS

893.00/15181

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

No. 1764

CHUNGKING, November 2, 1943.

[Received November 18.]

SIR: I have the honor to enclose a copy of despatch No. 63 of September 15, 1943, from the Secretary on detail at Sian⁸³ in regard to the military strength of the Chinese Communist forces.

Summary. According to civil and military sources at Sian, the regular military forces of the Chinese Communists, incorporated in the 18th Group Army under General Chu Teh, total about 200,000 men. They are said to be well trained, well led, well disciplined, experienced and hardy and with good fighting spirit. There is little or no illiteracy among them. About 30,000 of these troops are stationed in the Shensi-Kansu-Ninghsia Border Region under Generals Lin Piao and Ho Lung while the remainder are scattered through Hopei, Chahar, Shantung, north Honan, Anhui and north Kiangsu. Guerrilla units numbering about 300,000 engage in activities within or near Japanese-occupied areas but their training, leadership and equipment is inferior

⁸² The Counselor of Embassy also had a conversation with Generalissimo Chiang, who expressed interest in pending efforts of the American Congress to repeal exclusion laws; for correspondence on the latter subject, see pp. 769 ff.

⁸³ Not printed.

to that of the regular troops. Local militia units, with practically no real military training or equipment, are found throughout north China.

Military equipment is old and worn and not uniform and has been generally acquired from the Japanese or National Government forces. The Communists are estimated to have more than 200,000 rifles of various kinds and a few thousand machine guns but very little artillery or ammunition for such guns and no tanks or airplanes. They are able to manufacture a few rifles, machine guns, hand grenades and ammunition.

In spite of their weakness in matériel, the Communists have managed to maintain their footholds in north China where the mountainous terrain, with practically no modern means of communications, gives them great advantages. Military officials at Sian tend to make light of Communist military strength and apparently believe that the Central Government could easily and quickly liquidate the Communist forces in the north Shensi area. *End of Summary.*

Chinese Communist sources at Chungking assert an "official figure" of 500,000 Communist regulars divided between the 18th Group Army and the new Fourth Army, the latter commanded by General Chen I with headquarters in north Kiangsu. They also state that there are an additional 2,000,000 guerrilla and partisan units half of which have military weapons of some kind. They describe Communist equipment as consisting of rifles, light machine guns, mortars and hand grenades. The partisans are said to be equipped chiefly with spears and knives.

Chinese Communists at Chungking seem reluctant to give definitive figures for their armed strength and state that the totals given are the "official figures". It is believed, therefore, that the actual military strength of the Communist forces lies somewhere between the figures obtained by Mr. Drumright from Central Government sources in Sian and those alleged by the Communists at Chungking.

Respectfully yours,

C. E. GAUSS

893.00/15198

*The Consul at Kweilin (Ringwalt) to the Ambassador in China (Gauss)*⁸⁴

[Extracts]

No. 85

KWEILIN, November 5, 1943.

SIR: I have the honor to submit hereunder a report on General Hsueh Yueh, the chairman of the Hunan Provincial Government, and of various phases of his military and civil administration. The information and statements contained in this report are based entirely on

⁸⁴ Copy transmitted to the Department by the Ambassador in China in his despatch No. 1828, November 18; received December 10.

personal conversations with a variety of British, Chinese and American officials, businessmen, physicians, missionaries, and Chinese smugglers during the writer's recent brief visit to Changsha.

Summary: During the five-year term of office of General Hsueh Yueh as Chairman of the Hunan Provincial Government, he has shown little military or administrative ability. He has made little effort to impede the three relatively peaceful Japanese occupations of Changsha, and for the past year-and-a-half his troops seem to have maintained some sort of an understanding with the Japanese to live in peace with one another. There is a free exchange of rice from Hunan for salt from Hankow, and a substantial trade in raw materials from Hunan to Hankow in exchange for manufactured articles from Hankow, Shanghai and other centers under Japanese control is being carried on. Considerable friction exists between the Hunanese and the to them alien Cantonese administration foisted on them by General Hsueh Yueh whose chief advisers and subordinates are mainly from his native province of Kwangtung. There is a marked tendency to place all industrial enterprises under Government control much to the resentment of the individual Hunanese businessman. American citizens generally have received reasonable cooperation from local Chinese officials, and the fine work of the American air force in Hunan is on the whole appreciated. However, there is a strong anti-British sentiment prevalent throughout the administration. Soviet Russian advisers continue to train troops of the Ninth War Area Command.

As far as this Consulate is aware, Hunan is the only province in Kuomintang-dominated China in which Soviet Russian advisers are still engaged. There is an undetermined number of Russian military advisers stationed to the north of Changsha. They hold themselves completely aloof from other foreigners, and converse with Chinese only through interpreters. There is a report which this office has been unable to confirm that Soviet-trained Chinese artillerymen were largely responsible for the discomfiture of the Japanese during their retirement from the Enshih area last summer.

Respectfully yours,

ARTHUR R. RINGWALT

893.00/15196

*The Consul at Kweilin (Ringwalt) to the Ambassador in China (Gauss)*⁸⁵

No. 87

KWEILIN, November 6, 1943.

SIR: I have the honor to report that the November 2, 1943 issue of the Kweilin *Sao Tang Pao*, generally understood to represent the military clique, contained a news item to the effect that, with the war turn-

⁸⁵ Copy transmitted to the Department by the Ambassador in his despatch No. 1830, November 18; received December 10.

ing in the favor of the United Nations and with victory in sight, the Chinese Government had begun to plan for the recovery of the lost provinces in northeastern China and for the strengthening of the political organization in these provinces. In this connection, it may be of interest to note the activities and opinions of a group of Manchurian nationalists, headed by the well-known publicist, Mr. Chou Ching-wen, who, as a personal friend and devoted follower of General Chang Hsueh-liang,⁸⁶ has been working tirelessly, if unobtrusively, for the restoration of the Young Marshal to a position of predominance in the Northeastern Provinces.

Summary: The Sian Incident of December 12, 1936,⁸⁷ led to the cessation of civil war and the adoption of a policy of resistance to Japan. However, General Chang Hsueh-liang, who engineered the Incident, was courtmartialled and subsequently placed under the control of the Military Council. He is now being detained in a village near Kweiyang where he is leading a quiet and studious life. The Young Marshal's friends are doing everything in their power to have him released. They feel that he enjoys a popularity in China second only to the Generalissimo and that a man of his abilities should be allowed to organize resistance in the northeast where his followers are awaiting a signal from him. Because of its vast resources, its advanced state of industrial development, and its important geographical location between Russia, Japan and China, Manchuria will inevitably play an important part in the future of the Far East. There are four candidates for the role of administrator of this territory: (1) Administrators appointed by Chungking, (2) The revolutionary army now in Manchuria, (3) The Communist forces now in North China, and (4) General Chang Hsueh-liang. According to the Young Marshal's supporters, his return to Manchuria would be the only logical and fair solution. As a Manchurian, he would be welcomed by his people who remain loyal to him, and who feel they have cause to be suspicious of the motives of the administration in Chungking. The Communists and the Soviet Government would be more inclined to trust him than they would representatives appointed by Chungking. The revolutionary army could be readily won over to his leadership. Finally, he and his followers are committed to policies and principles which are in keeping with those of the United Nations.

It will be recalled that, on December 12, 1936, the Young Marshal engineered the now famous Sian Incident, whereby he placed under detention Generalissimo Chiang Kai-shek at the time of the latter's visit to Sian; and that the Generalissimo was released only after having promised to (1) reject his policy of fratricidal and fruitless warfare against the Communists for one of active military resistance

⁸⁶ Successor to his father, Marshal Chang Tso-lin, as Governor-General of Manchuria in June 1928; former Vice Commander in Chief of the Chinese National Army, Navy, and Air Forces and Commander in Chief of the Northeastern Frontier defense forces until December 1931; later Vice Commander in Chief of bandit suppression forces in northwest China until December 1936.

⁸⁷ See *Foreign Relations*, 1936, vol. iv, pp. 414 ff.

against Japanese aggression, (2) institute a democratic form of government, and (3) release political prisoners.

[Here follows detailed report based on views of Chang's adherents.]

There is a wide-spread belief that the Chinese Communist Party and troops intend to enter Manchuria whenever an opportunity presents itself, and the Soviet Government would doubtless welcome and support them. Such a development would, however, meet with strong opposition from the Manchurian people, and there would doubtless be a recurrence of civil war. If the Chinese Communists were to obtain the ascendancy in Manchuria they would be able to establish a strong liaison with Soviet Russia, and the Communist problem in China would prove even more difficult of solution than it is at present. Any effort on the part of the Central Government forcibly to remove the Communist elements from Manchuria would be foredoomed to failure and might invite Japanese intervention or even open hostilities between China and Russia.

If the Young Marshal and his followers were authorized to take over control of Manchuria, the situation would be entirely different. He would be welcomed by the Manchurian people and he would have little difficulty in obtaining the allegiance of the revolutionary army in Manchuria. A genuine Manchurian administration would be far less inclined to create friction with Soviet Russia than one controlled by the subordinates of Chiang Kai-shek. The New Force is committed to international cooperation externally and popular welfare and freedom internally. These policies would not only satisfy the demands of the Manchurian people after their liberation, but would also be in keeping with the express convictions of the United Nations.

Respectfully yours,

ARTHUR R. RINGWALT

740.0011 Pacific War/3532 : Telegram

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

CHUNGKING, November 9, 1943—10 p. m.

[Received November 9—9 a. m.]

2115. Our despatch 1731, October 25,⁸⁸ reported withdrawal Yu Hsueh-chung's troops from Shantung to N. W. Anhui and their replacement by two group armies under immediate command Tang En-po. Military Attaché believes withdrawals (Embassy's 2044, October 30) are result of defeat by Japs and of difficulty of supplying troops those areas and that replacements can have refused to proceed to Shantung. Chungking authorities are reportedly seriously concerned over spread of Communist control in North China (our 1722,

⁸⁸ Not printed.

September 15). Communists at Chungking charge Central Government with encouraging defections of Chungking troops to Japs with view to solving supply problem and to ensuring presence of puppet troops friendly to Chungking who would provide opposition to Communists now and at time of Jap withdrawal from North China. This circumstance may also partially explain withdrawals and failure to send replacements.

Military Attaché is of opinion that Central Government troops in Honan total probably less than half million.

This is reply to Department's 1578, November 4 [3], 10 p. m.⁸⁹

GAUSS

893.00/15173 : Telegram

*The Ambassador in China (Gauss) to the Secretary of State*⁹⁰

CHUNGKING, November 11, 1943—10 a. m.

[Received 11:57 a. m.]

2132. 1. Rice at Lanchow in despatch October 30 after return from Ninghsia reports as follows:

Ninghsia chairman states clash between Ninghsia and Communist forces occurred October 12 and expresses opinion Kmt-Communist differences cannot be settled by negotiation. Provincial officials fear Communist occupation parts Ninghsia and Kansu, state Ninghsia Mongols see Soviet planes flying to and from Yen-an and express strong suspicion of Soviet Russia. Since conference military leaders at Chungking during the session in September, chairman has been busy with defense preparations and large garrisons are stationed in Ninghsia and Kansu to prevent extension Communist area. Exactions these troops burden local people and cause unrest favorable to extension Communist influence.

2. Increase Chungking troops in northwest apparently reflects suspicion Soviets and at present appears intended to prevent extension Communist area as well as possible land communication between Chinese Communist[s] and Soviets rather than for attack on Communists.

GAUSS

⁸⁹ Not printed; it requested "interpretative comment" with respect to the contents of Ambassador Gauss' telegram No. 2044, October 30, 2 p. m., p. 370.

⁹⁰ The Department transmitted a paraphrase of this telegram to the Ambassador in the Soviet Union (Harriman) in airgram No. A-32, November 13, 6 p. m., with the added comment that "several reports received during recent months and statements made by some high Chinese officials have suggested that there is not likely to occur in the near future an authorized armed conflict between government armed forces and the Communists."

893.00/15199

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

No. 1827

CHUNGKING, November 17, 1943.

[Received December 10.]

SIR: Referring to the Embassy's despatch no. 1675 of October 14, 1943, in regard to Kuomintang-Communist relations, I have the honor to enclose a copy of an editorial from the *Liberation Daily* (Communist newspaper published at Yen-an) of October 6, 1943, together with a digest of the editorial,⁹¹ commenting on the 11th Plenary Session of the Central Executive Committee of the Kuomintang and the 2nd Session of the Third People's Political Council, both of which were held in September 1943. The English translation of this editorial was received from Communist representatives at Chungking.

Summary of Editorial: Realizing that the United Nations' strategy prevents the realization of Kuomintang aims to have Soviet Russia weakened through a Japanese attack or through American and British transfer of their full strength to the Pacific, leaving Russia to fight alone, the Kuomintang has three possible courses of action: (1) to surrender to the Japanese; (2) to delay the fundamental solution of the Communist problem while preparing for civil war; and (3) to alter its political direction. The first course is advocated by defeatists who wish to surrender to Japan and initiate civil war; thinking the Kuomintang armies can easily defeat the Communists. The second course is that favored by those who camouflage their real intentions of destroying the Communists by emphasizing the C.E.C. and P.P.C. resolutions on constitutional government and the solution of the Communist problem by political means. The third course is favored by some Kuomintang members, by the Communist Party and by all the people, for it means a just solution of the Communist problem, the abolition of the fascist dictatorship and the establishment of a democratic form of government. Demands are presented to "Mr. Chiang" for continued resistance to Japanese aggression, the cessation of the civil war crisis and the anti-Communist movement, the withdrawal of the Chungking troops now blockading the Communist areas, the abolition of one party dictatorship and the secret service organs, the calling of the national congress prior to the end of the war and freedom of speech, assembly and organization. *End of Summary.*

This editorial is believed to represent the "official" views of the Chinese Communist Party and its tone is a continuation of the critical and unyielding attitude of most of the articles written by Communist Party members during recent months which have been received by the Embassy. One Chinese Communist stated recently that an agreement had been reached between the Communists and Dr. Wang Shih-chieh, acting for the Kuomintang, for a cessation of the bitter propaganda campaign which has been conducted by the two parties during the

⁹¹ Not printed.

past few months (Embassy's despatch no. 1651 of October 6, 1943). While there has not yet been any direct evidence of such an agreement, there has been a cessation of articles in the local Government-controlled press enumerating the "Communist crimes," a large number of which appeared in September.⁹²

The statement in regard to the Communist problem made by the newly appointed Minister of Information, Liang Han-tsao, at his first press conference (Embassy's telegram no. 1995, October 21) was not published in the vernacular press although it was carried by the Central News Agency English Service. When questioned at a later press conference as to the reason for the failure of the Chinese press to publish the statement (all other statements made by the Minister at this press conference were published in the Chinese press), the Minister said that it was unnecessary to publish such a statement for Chinese consumption as informed Chinese are fully aware of the true situation in regard to the Communist problem. The Foreign Office spokesman at this conference added that it was necessary to let foreign countries know the real situation. Apparently the Kuomintang is endeavoring to play down the possibilities of civil war and the seriousness of the situation in order to reassure foreign observers, and a cessation of the propaganda campaign would be consistent with that policy.

Respectfully yours,

C. E. GAUSS

761.93/1740 : Telegram

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

CHUNGKING, November 18, 1943—2 p. m.

[Received 3:15 p. m.]

2189. Consul [at] Tihwa reported November 11 following information from Foreign Affairs delegate:

1. Embassy's 1935, October 13, agreement for transfer to the Chinese of Soviet installation Hami signed and implemented. Last detachment of Soviet troops withdrawn October 29 and has entered U.S.S.R.

2. Soviet planes have been removed from Toutungho (Embassy's 1989, October 20), but 100 odd Soviet troop[s] remain there and about same number [at] Tushan as property guard without Chinese objection.

3. Chinese are negotiating for purchase of Tushan installation on basis of Soviet's leaving pipes in ground and structures intact (altho most pipe stocks, machinery and other equipment already taken away,

⁹² Augustus S. Chase of the Division of Far Eastern Affairs in a memorandum dated December 30 commented on the "evidence—encouraging if true—that the Kuomintang and Communists may have reached an agreement to cease their bitter propaganda campaign." (893.00/15199)

removal of pipes from ground not yet begun). Immediate cause of Soviet withdrawal from Tushan (Embassy's 1852, October 4,⁹³ second paragraph) was disagreement over question whether control should be shared 50-50 (Soviet view) or 51 Chinese, 49 Soviet (Chinese view). By previous arrangement chief engineer was Soviet and director Chinese. Clubb states enterprise was evidently on 50 control and profit taking basis and that remaining joint Sino-Soviet enterprise in Sinkiang (Hami-[Alma?]Ata airline, believed operating on essentially the same basis as Tushan was) seems not yet to have been challenged.

4. In reply to foreign delegate's *démarche* on November 10th looking toward restoration Sinkiang-Soviet trade relations, Soviet Consul General indicated no possibilities of such trade at present. Sinkiang obtaining 3,000 tires from Indian Government and proposes to supply India with some silk and 150 tons raisins, this constituting a renewal of trade relations broken off several years ago.

GAUSS

893.00/15197

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

No. 1829

CHUNGKING, November 18, 1943.

[Received December 10.]

SIR: I have the honor to enclose a copy of airgram A-20, November 9, 12 noon, from the Consul at Kweilin⁹³ in regard to the reported activities of Marshal Li Chi-shen, Chairman of the Kweilin Office of the National Military Council, in arranging for an understanding between various military commanders in southeast China and with a similar group in the southwest.

Summary. Mr. Ringwalt states that according to reliable information Marshal Li is unobtrusively working to arrange for an understanding between various military commanders in south China for a plan of concerted action in the event of a collapse of Chungking authority either from internal or external causes. He is said to have reached an informal agreement with a group which includes General Yu Han-mou, General Chang Fa-kuei and General Hsueh Yueh, Commanders of the 7th, 4th and 9th War Zones, respectively, and to be negotiating with a similar group in the southwest under the sponsorship of General Lung Yun, Chairman of the Yunnan Provincial Government, who has brought into line a number of the Szechuan militarists. Mr. Ringwalt adds that the negotiations are in no sense a separatist movement but are designed to ensure unity in south and west China and continued resistance to Japan if Chungking authority should collapse. The negotiations are proceeding, so far as is possible, without the knowledge of the Central Government which would be expected to oppose such action if it dared. *End of Summary.*

⁹³ Not printed.

It is believed that the above-described activities are of a pattern with the activities of puppet representatives, such as those described in the Embassy's despatch No. 1682 of October 15.⁹⁴ The various factions in China, including the puppets, are looking to their post-war position. While these negotiations reportedly being conducted by Marshal Li may not point to a separatist movement as long as the Chungking Government maintains its authority, the southeastern and southwestern military leaders are sufficiently astute to realize that there are still "unreconstructed" elements on the Chinese scene and that a Kuomintang attempt to force a military solution of the Communist problem after the war may bring about new alignments and possibilities for which they must make advance preparation. It is difficult to believe that the negotiations have as their aim the assurance of unity in the south and in the west merely in order to ensure continued resistance to the Japanese, especially in view of the inclusion in the group of such figures as General Yu Han-mou, General Lung Yun and the Szechuan militarists, none of whom has made any notable contribution toward the defeat of Japan. General Yu's defense of Canton against Japanese attack was completely ineffectual and General Lung and the Szechuan generals have given to the Central Government in the war against Japan only such assistance and cooperation as was absolutely necessary and unavoidable.

Marshal Li has a record of opposition to the Kuomintang, having been relieved of his posts in 1928 and detained in Nanking during 1928-29 because of his connection with the revolt of the Kwangsi faction against the Nationalist Government. After being pardoned in 1931, he was again relieved of his posts and expelled from the Kuomintang following his implication in the Fukien independence movement in 1933-34. In 1938, however, after the outbreak of Sino-Japanese hostilities, he was made a member of the National Military Council and in 1941 was appointed head of the Generalissimo's Headquarters at Kweilin for the five provinces of Fukien, Kiangsi, Kwangtung, Kwangsi and Hunan. Marshal Li is said by informed observers to have very little actual power in Kwangsi (which is believed to be largely under the control of General Li Tsung-jen) or in the other provinces under his headquarters but to have considerable prestige in China through his reputation for honesty and patriotism. Among the officers who served under Marshal Li when he was Chief of Staff of the First Kwangtung Army in 1921 are numbered such prominent figures as Generals Tsai Ting-kai, Chen Cheng, Yu Han-mou, Hsueh Yueh and Chang Fa-kuei. One of General Li Tsung-jen's close associates is reported to have said that if anything happened to the Generalissimo his place would be taken by Marshal Li and General Chen

⁹⁴ Not printed.

Cheng, Commander-in-Chief of the Chinese Expeditionary Army—Li because of his standing and prestige and lack of undue ambition and Chen because of his position as the outstanding “coming” military figure in China.

It is not believed that these reported negotiations have any serious implications at present but, if the report is accurate, they would indicate that doubt exists in some quarters in regard to the continued stability and authority of the Central Government in the long-range future.

Respectfully yours,

C. E. GAUSS

893.00/15203

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

No. 1842

CHUNGKING, November 20, 1943.

[Received December 10.]

SIR: Referring to the Embassy's despatch No. 1764 of November 2, 1943, in regard to the military strength of the Chinese Communists, I have the honor to enclose a copy of a report dated November 16, 1943,⁹⁵ prepared by the Military Attaché in regard to the armed forces of the Chinese Communists.

Summary: Recent transfers of Central Government troops to the Northwest (Embassy's despatch No. 1807 of November 12⁹⁶) appear to be directly associated with the problem of Kuomintang-Communist relations and can be interpreted as strong evidence that the Central Government does not intend to rely upon “political means” alone as a solution of this problem.

Information regarding the Chinese Communist forces is, therefore, of importance. These forces are divided into three categories: regular military forces, guerrilla forces and local militia. Regular military forces consist of the 18th Group Army under General Chu Teh and the New Fourth Army under General Chen Yi, together with two independent groups, one in Kwangtung and the other on Hainan Island. Although the 18th Group Army is supposed to be composed of three divisions numbering about 30,000 men, it is reported actually to number 320,000. Its headquarters are at Yen-an, the capital of the Shensi-Kansu-Ningsia Border Region, the most important of the twelve “regions” north of the Lunghai Railway garrisoned by the 18th Group Army in north China. The New Fourth Army, which ceased officially to exist after its disbandment by the Central Government in 1941, is said to have a strength of 120,000 men in seven divisions and to be better equipped than the 18th Group Army due to its greater activity against the Japanese and the puppets and the consequent capture of matériel from those sources. The New Fourth Army has its headquarters at Yiencheng, Kiangsu, and operates in central and east-

⁹⁵ Latter not printed.

⁹⁶ Not printed.

ern China south of the Lunghai Railway. The Chinese Communists claim to have a navy composed of hundreds of sampans and junks along the Kiangsu coast serving in transportation of supplies. Communists claim a total guerrilla force of 1,000,000 men but it is not believed that the figure exceeds 400,000. Local militia units, said by the Communists to number 1,000,000 men, are estimated at approximately 600,000.

As a composite military force the Chinese Communists are not capable of much, if any, offensive action as their regular units, while well trained and well led, are very poorly armed. The principal arm is the rifle, supplemented by some few automatic rifles, some machine guns, not much artillery (and still less ammunition), no tanks, no planes and a small number of almost worn out trucks. Their strength lies in guerrilla activity.

The present dispositions of the Communist forces, together with their considerable training and leadership, would enable them very easily to move into the north China areas if the Japanese should withdraw, and the movement of Central Government troops toward the Communist areas may be intended to prevent such action. In the event of actual hostilities the Communists could probably muster no more than 600,000 men, a force which would, however, require at least 1,000,000 Central Government troops to oppose them. At present the numerical ratio between the Communists and the Central Government, taking all factors into consideration, can reasonably be placed at 1 to 1, but with the continued receipt of further equipment from China's allies the Central Government's superiority will be vastly increased. At present the problem of Kuomintang-Communist relations is a very serious one which approaches a showdown as the war goes on and the reported Chungking troop concentrations in the Northwest make the situation ominous. *End of Summary.*

Another factor in the Kuomintang-Communist situation which cannot be ignored in the event of a civil war is the possible support the Communists might receive from elements other than those in the present Communist-occupied areas. Potential strength lies in the conditions of the peasants, who comprise about 80 percent of the population. Opposition on the part of the peasants to conscription methods, enforced labor, military requisitions, heavy taxation in kind and official corruption is widespread and during the past year has taken the form of armed revolt in several provinces. Peasants are unorganized, lack leaders and are not politically conscious, but if the internal administration should become chaotic or if the Kuomintang should attack the Communists, the latter will not only be in a position to capitalize on this agrarian discontent but will be certain to endeavor to spread the movement. Central Government measures for dealing with these local revolts have done little more than increase the hostility of the peasants toward the Central Government and have not achieved a fundamental solution of the problem by removing the causes of complaint. It may be said that the economic condition of the country and

the widespread agrarian discontent create fertile ground for Communist propaganda and that strong opposition to civil war is believed to be entertained by almost all Chinese, excepting the more rabid Kuomintang members. These factors do not indicate that a Kuomintang attempt to solve the Communist problem by military force at present would be the easy task envisaged by some of the more rabid anti-Communist elements in the Kuomintang. It is, therefore, disquieting that the Kuomintang should on the one hand announce a "political solution" of the Communist problem (Embassy's despatch No. 1675 of October 14) and form a committee for the establishment of constitutional government after the war (which, as reported in our despatch no. 1747, October 28, is criticized by the minority parties as being, like the People's Political Council, a Kuomintang dominated organ) and on the other hand continue the movement of additional troops to the Communist areas in the Northwest.⁹⁷

Respectfully yours,

C. E. GAUSS

893.00/15207

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

No. 1858

CHUNGKING, November 24, 1943.

[Received December 16.]

SIR: Referring to the Embassy's despatch no. 1832 of November 18, 1943,⁹⁸ in regard to the recently launched Chinese national cultural movement, I have the honor to enclose a copy of a memorandum dated November 19, 1943,⁹⁸ prepared by Dr. J. K. Fairbank, IDC⁹⁹ representative at Chungking, entitled "The Intellectual Leadership of the Minister of Education".

Summary. The student movement and the intellectual enthusiasm which existed during the early days of the Sino-Japanese conflict have not only deteriorated but have been actively suppressed. This suppression has apparently arisen from the Kuomintang's desire to ensure a continuation of its power; and intellectual stultification has been promoted largely by Chen Li-fu, the Minister of Education and a leader of the reactionary CC clique. Kuomintang leaders clearly hold pernicious and antiquated views in regard to the process of intellectual adjustment to the modern world which China must sooner or later make. Examples of these views are shown in writings of Chen Li-fu which call for the revival of Confucianism as the only means

⁹⁷ Augustus S. Chase of the Division of Chinese Affairs stated in a memorandum dated February 21, 1944, that "The Military Attaché's report, together with the comments in the Embassy's covering despatch (no. 1842), probably provides the clearest picture of the Communists' strength yet received in the Department."

⁹⁸ Not printed.

⁹⁹ Interdepartmental Committee for the Acquisition of Foreign Publications.

by which the Chinese race can be revived and state that world peace can be achieved only by the reformation of thought through ancient Chinese culture. Other instances of such views are contained in an editorial in the *National Herald* in which it is stated that the Chinese have developed a basic outlook on life which is a truer one than the pseudo-scientific outlooks which have plagued the western world. Dr. Fairbank observes that these ideas and evaluations are both a source of and a vehicle for atavism, chauvinism and xenophobia and that it is in the American interest that the Department's cultural relations program lend all legitimate support to the truth as opposed to these ideas. *End of summary.*

Respectfully yours,

C. E. GAUSS

893.00/15208

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

[Extract]

No. 1862

CHUNGKING, November 27, 1943.

[Received December 16.]

SIR: I have the honor to refer to the Embassy's despatch No. 1829 of November 18, 1943, in regard to the activities of Marshal Li Ch'ishen, Chairman of the Kweilin Office of the National Military Council, in endeavoring to arrange an understanding between various Chinese military commanders in southeast and southwest China.

There is now enclosed a copy of despatch No. 145 of November 18, 1943,¹ prepared by Mr. Arthur R. Ringwalt, Consul at Kweilin temporarily detailed to Kunming, regarding criticism of the Central Government by Marshal Li during a mass meeting in celebration of the Soviet National Holiday at Kweilin.

Summary. In the memorandum Mr. Ringwalt states that the mass meeting at Kweilin on the occasion of the Soviet National Holiday, attended by over 1,500 people, was quite spontaneous and without official support. Marshal Li addressing the meeting informally compared the progress made during the Soviet revolution and that during the Chinese revolution and ascribed China's relative backwardness to corruption, incompetence and defeatism and, by implication, to its lack of leaders of ability, character and determination. It is pointed out in the despatch that the mass meeting is an indication of the extent of popular Chinese admiration of the Soviet Government and that the criticism offered by Marshal Li represents outspoken criticism of the administration by the ranking Central Government official in south China. This criticism was repeated to Mr. Ringwalt by Marshal Li. *End of Summary.*

Respectfully yours,

C. E. GAUSS

¹ Not printed.

893.00/15211

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

[Extract]

No. 1871

CHUNGKING, November 30, 1943.

[Received December 28.]

SIR: I have the honor to refer to the Embassy's despatch No. 1747 of October 28, 1943, in regard to the formation of the Committee for the Establishment of Constitutional Government under the Supreme National Defense Council and to report further developments in this matter.

Summary. The Committee for the Establishment of Constitutional Government was formally inaugurated on November 12 under the chairmanship of President Chiang Kai-shek who, in an address to the Committee, described its functions as consisting chiefly of making recommendations, investigations and examinations aimed at enabling the Government to carry out "constitutionalism." The Standing Committee at its first meeting adopted by-laws providing for creation of sub-committees for the study of the draft constitution, of matters relating to organs of public opinion and of the enforcement of all laws relating to constitutional government. Government spokesmen and the Party Ministry of Information continued to emphasize the preparations being made by the Kuomintang for constitutional government after the war. Only a few minority party members attended the inaugural meeting of the Committee. It is generally believed that minority party participation in the work of the Committee will not be active, the request of the minority parties for the appointment of certain of their leaders having been refused and the hopes for any real opposition to Kuomintang domination of the Committee having apparently been abandoned. *End of Summary.*

Respectfully yours,

C. E. GAUSS

893.00/15194: Telegram

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

CHUNGKING, December 7, 1943—4 p. m.

[Received 6:20 p. m.]

2339. In telegram December 3 from Loyang, Drumright reports as follows:

Rumors of further recent clashes between Chungking and Communist troops Northern Shensi denied by Vice Chief Staff [at] Loyang who states Communists have recently reinforced their troops in that sector. He categorically denies Chungking intends attacking

Communists at present. While admitting Communists have formed in North China barrier against northward advance of Chungking troops, he states puppet troops in the North under Chi Hsieh-yuan (Peiping régime) and those in Kifeng region under Chang Lan-feng (Nanking régime) will be used by Chungking to oppose Communists. If Chungking-Communist clash should occur, he said, certain Communist [*puppet?*] units would support Central Government.

GAUSS

893.00/15214 : Telegram

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

[Extracts]

CHUNGKING, December 10, 1943—2 p. m.

[Received 4:25 p. m.]

2370. Since the return of T. V. Soong early in October there have been persistent reports from varied sources that serious difficulties have arisen between him and the Generalissimo and that there has been in progress a violent family row . . . The general tenor of the reports is that Soong incurred Chiang's anger by making decisions in Washington without prior reference to the Generalissimo (the giving of China's agreement to the Italian Armistice terms is reportedly one instance); that while at Delhi en route he repeated this error in agreeing to some jurisdictional proposals of Mountbatten² which are said to be still at issue; that, during his first talk with the Generalissimo, Soong made the breach irreparable by losing his own temper in the face of Chiang's violent dressing down; that some Chinese returning from the United States poisoned Chiang's mind against Soong with stories of the latter's alleged personal financial transactions . . .

It has been obvious from Soong's actions that there has been something radically wrong. Upon his return to Chungking, he immediately went almost into retirement socially and officially, transacting only necessary business with foreign diplomatic representatives at his residence and repairing frequently to the hills. Unusual delays were (and still are) encountered in matters requiring his attention and matters which would ordinarily receive ready reply (such as question of adherence of Colombia to United Nations Declaration) have had to wait "decision by the Generalissimo". It was reliably reported that Soong was rudely shut out of the room when Chiang conferred with Mountbatten and he did not accompany the Chiangs to Cairo.

About a month ago it was widely reported that the difficulties had been smoothed out but recent stories from a number of sources indi-

² Admiral Lord Louis Mountbatten, Supreme Allied Commander, Southeast Asia.

cate that the situation has not improved and Soong is obviously not his usual self. That the hostility between him and Kung has never been resolved is doubtless an additional disruptive factor in the situation.

GAUSS

893.00/15205 : Telegram

The Ambassador in the Soviet Union (Harriman) to the Secretary of State

Moscow, December 11, 1943—1 p. m.
[Received December 12—7:55 a. m.]

2195. During the course of a conversation on December 10 with Liu, Counselor of the Chinese Embassy here, Liu told Hamilton³ that there had been no recent developments in relations between the Chinese Government and the Chinese Communists. Liu stated definitely that there was no air communication between the Chinese Communists and the Soviet Union; that if Soviet planes flew into Yen-an the Chinese Government would certainly know it; that several times a year Soviet planes in addition to planes operated to Hami on the regular route made flights into Chinese territory but in such cases by advance arrangement with the Chinese Government. Foregoing bears on statement in Chungking's telegram of November 11, substance of which was communicated to Moscow in Department's confidential airgram A-32, November 13.⁴

Repeated to Chungking.

HARRIMAN

761.93/1742

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

No. 1906

CHUNGKING, December 14, 1943.
[Received December 31.]

SIR: I have the honor to enclose a copy of despatch No. 50, October 23, 1943, from the Consul at Tihwa, with which is transmitted a translation of an article⁵ entitled "A Survey of Future Sino-Soviet Relations" by Mr. Chaucer H. Wu, Special Delegate for Foreign Affairs at Tihwa, which appeared in the *Sinkiang Jih Pao* of October 10, 1943. In this article Mr. Wu emphasizes China's and Russia's joint responsibility for the "surveillance" of Japan and maintenance

³ Maxwell M. Hamilton, Counselor of Embassy in the Soviet Union.

⁴ See footnote 90, p. 377.

⁵ Neither printed.

of peace in the Far East, the long common boundary between China and Russia, and the strong economic ties between the two countries. He closes with a plea for the "development of still more intimate friendship" between the two countries.

In his transmitting despatch Mr. Clubb states that it is to be expected that the Chinese will attempt, especially if the Burma road is not soon reopened, to repair the damage previously done to Sino-Soviet relationships through Chinese ineptness with a view to (1) obtaining actual material aid and (2) stimulating other United Nations to increase their aid to China in the assumed fear that Soviet Russian influence might gain an ascendancy in China. Mr. Clubb also states that Special Delegate Wu informed him (1) that he intends to endeavor to resuscitate the Tihwa Sino-Soviet Cultural Association and (2) that China was informed by Mr. Molotov about a year and a half ago that as soon as the Japanese threat to Outer Mongolia had passed and China had improved its policy of dealing with the Mongols, the Soviet Union would offer no objection to the reassertion of Chinese sovereignty over Outer Mongolia.

Although the Embassy considers Mr. Clubb's views reasonable, there has as yet not been noted in Chungking any substantial evidence of an effort to improve Sino-Soviet relations.

Respectfully yours,

C. E. GAUSS

893.00/15223

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

No. 1937

CHUNGKING, December 21, 1943.

[Received January 7, 1944.]

SIR: I have the honor to refer to the Embassy's despatch No. 1580, September 16, 1943,⁶ in regard to Sino-Soviet relations in Sinkiang and to enclose copies of further despatches from the Consul at Tihwa on this subject as follows: Nos. 59, November 1, 1943; 73, December 9, 1943; and 74 and 75, December 10, 1943.⁷

Summary. The Special Delegate for Foreign Affairs, Mr. Chaucer H. Wu, informed Mr. Clubb in October that reported Kazak uprisings in the Altai region (Embassy's telegram 1982, October 20, 9 a.m.) involved some 5,000 rebels, but on December 10 he stated that there were only some 400 originally involved of whom there then remained approximately 100 to be rounded up. On October 16 Mr. Wu stated that he had been having "much trouble" with incidents on the Soviet border involving Russian "ronin". On December 10 Mr. Wu informed Mr. Clubb in confidence that the Soviets had concentrated an important military force on the border near the pass leading

⁶ Not printed.

⁷ Enclosures not printed.

to Kashgar, but he admitted at the same time that the previously reported Kirghiz unrest in the Kashgar area had died down. Early in December relations between Mr. Wu's office and the Soviet Consulate General were reported to be strained over negotiations in regard to the arrest by local authorities of certain persons which the Soviet authorities asserted to be Soviet citizens. On December 3 Provincial Chairman Sheng Shih-ts'ai informed Mr. Clubb that present plans do not call for establishment of heavy industry in Sinkiang because of the province's proximity to the Soviet Union. Some Chinese in Sinkiang appear to believe that after the present war China will be forced to fight Soviet Russia in order to regain control of Outer Mongolia. *End of Summary.*

A reading of the enclosed despatches leaves the impression that there is rather widespread apprehension in Sinkiang over the future of Sino-Soviet relations, a feeling which has also been reported in the Lanchow area (Embassy's despatch No. 1807, November 12, 1943)* and which was recently expressed in rather vague terms by General Yang Chieh, former Chinese Ambassador to Russia, in conversation with an officer of the Embassy.

Special Delegate Wu, while avoiding direct accusations, appears to have done his best to suggest to Mr. Clubb that the Soviets are engaged in various activities designed to keep their relations with Sinkiang strained and to throw that province into a new political turmoil. Mr. Clubb states that he views Mr. Wu's reports on this subject with extreme reserve.

Respectfully yours,

C. E. GAUSS

893.00/15228

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

No. 1943

CHUNGKING, December 22, 1943.

[Received January 12, 1944.]

SIR: Referring to the Embassy's despatch no. 1862 of November 27, 1943, in regard to the activities of Marshal Li Chi-shen, head of the Kweilin office of the Military Affairs Commission, I have the honor to enclose a copy of airgram no. A-23, December 2, 6 p. m., from the Consulate at Kweilin⁸ regarding the possible appointment of Marshal Li to a post at Chungking.

Summary. Mr. Service states that it has been reliably reported at Kweilin that Marshal Li has been offered a post at Chungking by General Chiang Kai-shek but that it is believed that Marshal Li has no intention of accepting such an appointment. He will perhaps go

* Not printed.

into "retirement" in Kwangsi from which he can emerge in the event of a military crisis in south China. It is also reported that the Kweilin office of the Military Affairs Commission, of which Marshal Li is the head, will be reorganized or abolished in the near future. Related to the question of the status of this office are rumors that General Pai Chung-hsi, Deputy Chief of Staff, is soon to be appointed to an important military post in south China. *End of Summary.*

While the Embassy has been unable to obtain at Chungking any confirmation of the reported activities of Marshal Li looking toward an agreement between certain Chinese military commanders in south and southwest China (Embassy's despatch no. 1829 of November 18), the above-mentioned reports of offers by General Chiang to Marshal Li of a post at Chungking, of the abolishment of the Kweilin office headed by Marshal Li (confirmed by the Military Attaché) and of the appointment of General Pai to a post in south China may bear some connection with those reported activities. Marshal Li is reliably reported to have refused on numerous occasions to carry out Chungking orders to arrest Chinese liberals at Kweilin suspected of being critical of the Kuomintang and his outspoken criticism of the Central Government during his recent address at Kweilin (Embassy's despatch under reference) cannot have passed unnoticed by the Chungking leaders.

Respectfully yours,

C. E. GAUSS

740.0011 Pacific War/3678

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

No. 1957

CHUNGKING, December 24, 1943.

[Received January 21, 1944.]

SIR: Referring to the Department's telegram no. 1584, November 4, 7 p.m.⁹ requesting the Embassy to obtain more complete information in regard to the "labor camp" at Sian and also information regarding similar organizations elsewhere in China, I have the honor to enclose:¹⁰ (a) copy of despatch no. 144 of November 17, 1943, from the Consulate General at Kunming; (b) copy of despatch no. 21 of November 19 from the Secretary on detail at Lanchow; and (c) copy of a memorandum, prepared by the Embassy, based on despatch no. 92 of December 19 from the Consulate at Kweilin, in regard to this subject.

Summary. Mr. Ludden reports that preliminary inquiries fail to reveal the existence of youth labor camps in Yunnan. Informed sources, however, mention such camps in Enshih, Hupeh, under the direction of the Kuomintang and in or near Taiho, Kiangsi.

⁹ Not printed.

¹⁰ Enclosures not printed.

Mr. Rice states that the inmates of the labor camp at Sian have at times numbered 2,000 but that at present the total is between 700 and 800, most of whom are young and about five per cent of whom are girls. The inmates are said to include Y. M. C. A. secretaries and other Chinese who are not actually radicals but are suspected of being liberals. He states that there has been comparatively little student radicalism in Chinghai, Ninghsia and Kansu Provinces and that in Ninghsia occasional radical students are reportedly imprisoned or shot.

Mr. Service reports that according to reliable information "thought correction" camps exist in at least nine provinces in Kuomintang China. The camps are operated by agents trained by the Central Kuomintang Headquarters and are nominally under the direction of Provincial Tangpu (Party) organizations. Prisoners are questioned by intelligent and well-trained interrogators and while torture is practised it is probable that prisoners are held primarily in order to prevent their communicating their suspected communist convictions to others. Food is said to be poor, reading material is limited to Kuomintang publications and visitors are seldom admitted. Those fortunate enough to be released are threatened with death should they divulge information regarding these camps. Interrogation of one reliable informant, recently an inmate of one such camp, included exhaustive inquiries regarding his relations with Americans and other foreigners.

End of Summary.

The Embassy has been reliably informed of the existence of two such camps in the vicinity of Chungking (one near Chingmukuan, 70 li from the city and perhaps the camp mentioned in the enclosed memorandum as being at Hsinkaishih under the direction of the notorious General Tai Li, and the other in the hills across the Yangtze River from Chungking under the direction of the Chungking Garrison Headquarters). The inmates of both of these camps are said to be held in caves which abound in this region and those who may be released after one or two years of detention are reportedly usually broken both in body and in mind. One reliable Chinese informant states that a Chinese woman teacher in a middle school at Tzeliutsing, Szechuan, who was arrested by the Party secret police and brought to the headquarters of the Central Training Corps at Chungking for questioning, became completely insane after two days of grilling. This allegedly innocent victim was then returned to her home at Tzeliutsing without any explanation being given to her family of the circumstances surrounding her arrest or consequent insanity.

The power and influence of the secret police under General Tai Li and of the Kuomintang secret police are such that youth of known radical inclinations are perhaps more apt to be imprisoned or shot outright than to be sent to a camp for "reformation." Apparently those sent to the camps are for the most part persons who are merely suspected of "incorrect thinking" and who may thus be "cured" thereof as well as serve as an example to others who might be inclined to such

beliefs. These camps are evidently a refinement of the Kuomintang, as the Consul at Tihwa states that so far as he is aware such camps do not exist in Sinkiang and that imprisonment is the punishment widely given to those guilty of unorthodox thinking in that province. Additional indications of the Kuomintang inspiration behind these camps is seen in the reported lack of such camps in those provinces where Kuomintang power is least, such as Yunnan, Sikang, Chinghai, Ninghsia, Suiyuan and Kansu.

As Mr. Service's despatch on this subject named in several places the source of his information, the Embassy has prepared the enclosed memorandum based on his despatch and omitting any reference which might indicate the identity of the informant. Mr. Service and the Consulate General at Kunming are being instructed to destroy their copies of Kweilin's despatch, as is being done by the Embassy. The Embassy believes that Mr. Service should be commended for his initiative in obtaining such detailed information in regard to the existence of labor camps in China and for the preparation of the despatch reporting that information, which is of considerable interest as depicting a phase of the scene in China about which little has heretofore been known.

Respectfully yours,

C. E. GAUSS

761.93/1744

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

No. 1962

CHUNGKING, December 27, 1943.

[Received January 12, 1944.]

SIR: I have the honor to refer to the Embassy's despatch No. 1929, December 20, 1943,¹¹ entitled "Political Developments in Sinkiang, 1942-43" and to enclose a copy of despatch No. 71, December 3, 1943, from the Consul at Tihwa in regard to Sino-Soviet relations in Sinkiang.

This despatch, which includes an adequate summary of its contents, contains background information on political developments in Sinkiang during the period prior to that covered in Mr. Clubb's despatch No. 60, November 1, 1943¹¹ (our despatch under reference). The Embassy has found the enclosed despatch to be of considerable interest and value, and believes that Mr. Clubb deserves commendation for it, more especially as it reflects the extensive knowledge of the political background in Sinkiang which he acquired during the eight months of his station there.

Respectfully yours,

C. E. GAUSS

¹¹ Not printed.

[Enclosure—Extract]

The Consul at Tihwa (Clubb) to the Ambassador in China (Gauss)

No. 71

TIHWA, December 3, 1943.

SIR: I have the honor to refer to my despatch No. 60 of November 1, 1943¹² reviewing political developments in Sinkiang during the period 1942-3, and to enclose in English translation a copy of an article¹² on "The Victory of the Last Six Years' Policy of the Sinkiang Government of Friendship Toward the Soviet Union" as written by Major-General Li Ying-ch'i, head of the Sinkiang Police Bureau, and published in the magazine *Fan T'i Chan Hsien* (Anti-Imperialist Front) of November 7, 1939; and to review briefly those aspects of recent Sinkiang history bearing upon the particular matter of the province's relationships to the U.S.S.R.

Summary: Police Chief Li Ying-ch'i and Defense Commissioner Sheng Shih-ts'ai are in agreement in their pre-Kuomintang-era assertions that the U.S.S.R. had no aggressive designs regarding Sinkiang but contrariwise had extended spiritual and material aid to the province. It appears to be a fact that Sinkiang derived benefit from trade with the U.S.S.R., and from the despatch of Soviet technicians and advisers, the extension of credits, and the occasional granting of military assistance, at a time when all were needed. General Sheng, by the evidence, established himself in power in Sinkiang largely independent from the Kuomintang power at Nanking. In 1934, 1936 and 1937 Soviet Russian military forces in the guise of *émigré* Russians assisted General Sheng in the suppression of revolts against his rule; and in the year 1937, after both the suppression of that year's Uighur rebellion and the outbreak of the Sino-Japanese War, Soviet troops went into garrison at Hami, still in the same guise. The Chinese side has stated that the function of the garrison was really to prevent Moslem General Ma Pu-fang's from linking up with Sinkiang Moslem forces, the Soviet side has stated that its function was with relation to Sino-Japanese hostilities (implication: a Soviet move of self-defense): each side may have had its individual aim, with accord reached on the basis of some tacit understanding reached as early as 1934—with the National Government in the then circumstances perhaps even acquiescing in the arrangement. Soviet Russian "intentions" vis-à-vis Sinkiang during the period of General Sheng's rule, viewed against the background of world events and Soviet policies of the time, appear to have been in fact non-aggressive as stated by the quoted Chinese leaders. *End of Summary.*

Respectfully yours,

O. EDMUND CLUBB

¹² Not printed.

893.181/49

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

No. 1966

CHUNGKING, December 27, 1943.

[Received January 12, 1944.]

SIR: I have the honor to enclose a copy of a memorandum dated December 21, 1943,¹³ prepared by Second Secretary Clubb, recently on detail as Consul at Tihwa, in regard to prison conditions in Sinkiang.

Summary: As the Sinkiang authorities maintain strict secrecy in regard to prison conditions in that province little detailed information on the subject is available. It is known, however, that of the 200 to 300 *émigré* Russian army officers in Sinkiang in 1934 all but a handful are now in prison. Large-scale arrests of *émigré* Russians took place in 1934 and in 1938 and one well informed Russian *émigré* believes that easily one-half of the adult male *émigré* population of Sinkiang is now in prison (perhaps as many as 3,500 persons out of the total *émigré* population of approximately 14,000). One informed Chinese estimated that 20,000 persons were arrested in the 1937-38 period alone. In addition to *émigré* Russians, many Chinese (even youths of high-school age), members of the Turki, Kazak and other Sinkiang racial groups, members of scientific expeditions, and even British and other European missionaries have served terms in Sinkiang prisons. Prison conditions are described as "medieval" and torture, solitary confinement in rooms without light, et cetera, are common practices. Persons are sentenced to prison by "special courts" sitting *in camera* and once confined are rarely released. The most important prison center in Sinkiang is Tihwa, where there are said to be between 10 and 15 prisons. *End of Summary.*

Respectfully yours,

C. E. GAUSS

893.5018/46: Airgram

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

CHUNGKING, December 29, 1943—3 p. m.

[Received January 11, 1944—4 p. m.]

A-110. Embassy's telegram no. 2039, October 29, 2 p. m.¹⁴ Following is substance of telegram dated December 24 from Drumright at Loyang:

¹³ Not printed. Mr. Clubb's final paragraph was as follows: "It is suggested that, in the interests of a common humanity, the Department of State might wish to bring to the attention of the Chinese Ambassador at Washington the circumstance that it has received reports of this general nature and that in the opinion of the Department, in the light of China's purported adherence to the democratic principles for which the United Nations are now fighting, it would inevitably react to China's disadvantage should the present reprehensible state of affairs be permitted to continue."

¹⁴ Not printed.

Famine conditions in Honan remain approximately as described in my telegram of October 27. There is widespread privation but little actual starvation at present. The most difficult period, however, will be from March until the wheat is harvested in late May. The majority of the refugees come from the flooded region in vicinity of Chengchow and from the area north of the Yellow River where the shortage of food is acute and prices are higher. The authorities are apparently doing little relief work at present; foreign relief organizations are doing excellent work but their efforts are limited by scarcity of funds. After trip through Honan it seems clear that the burden of taxation, various official exactions and transportation difficulties have figured largely in the impoverishment of the people of this province.

GAUSS

893.00/15238

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

No. 1979

CHUNGKING, December 31, 1943.

[Received January 21, 1944.]

SIR: Referring to the Embassy's despatch no. 1827 of November 17, 1943, in regard to Kuomintang-Communist relations, I have the honor to enclose a copy of despatch no. 23 of November 23, 1943, from the Secretary on detail at Lanchow¹⁵ in regard to this subject.

Summary. Mr. Rice states that according to foreign residents of northeast Kansu and Ninghsia additional clashes have occurred recently between Central Government and Communist forces, the latter being charged with attempts to expand the territory under their control. A local source with Communist contacts and sympathies believes that the Ninghsia forces are attempting to establish direct contact with the troops under General Teng Pao-shan at Yulin, north Shensi, which are at present dependent upon the Communist area for supplies. Most of the troops in west Kansu are now concentrated near the eastern end of the Kansu corridor and fortifications are reportedly being constructed in that area to guard against a possible Communist attempt to enter the corridor. Exactions of Chungking troops on the people are blamed by their commanders on the Communists and the people are allegedly told that such conditions will continue until the Communists are eliminated. *End of Summary.*

There has apparently been no marked change in the situation affecting Kuomintang-Communist relations. In line with the statement by Communist representatives at Chungking that the propaganda campaign of the two parties had by common agreement been abandoned (Embassy's despatch under reference), the Embassy has not during the past month received any of the publicity material formerly issued by the local Communists. The sole reference to the Communist ques-

¹⁵ Enclosure not printed.

tion by the Chungking authorities was that made by the Kuomintang Minister of Information on December 15 at a press conference when he stated that he had nothing to add to his previous statement on the Communist problem (Embassy's telegram no. 1995, October 21). The Minister described as an "enthusiastic welcome" the reception given to General Teng Pao-shan at Yen-an when he passed through the Communist capital recently en route from Chungking to Yulin. He further stated that General Teng "conveyed to the Communist Party and its leaders the benevolent intentions of the National Government" as contained in President Chiang Kai-shek's statement on the Communist problem at the time of the C.E.C. session in September (Embassy's despatch no. 1675, October 14) and cautioned them against being over-sensitive. As has been the case with other statements on the Communist question issued by the Kuomintang Ministry of Information (Embassy's despatch under reference), this account of General Teng's journey through Yen-an was published only in the English language press at Chungking and did not appear in the Chinese newspapers. Such items are apparently intended for foreign rather than for Chinese consumption and are believed to be part of a quiet campaign on the part of the Kuomintang to build up a picture of Kuomintang conciliation and forbearance in regard to the Communist problem.

One of the Communist representatives recently implied that the Communist Party had now reached the point where it would make no further effort at present to cooperate with the Kuomintang, convinced as it was that the latter party had no intention of making any real effort to solve the questions between them peacefully and feeling that it was now strong enough to stand its ground against possible present Chungking attacks. The close surveillance of the Chinese Communists at Chungking by the secret police continues and this attention to Communist activities apparently includes a careful watch over various other Chinese suspected either of having Communist sympathies or of being critical of the Kuomintang.

Respectfully yours,

C. E. GAUSS

*The Second Secretary of Embassy in China (Davies) to Mr. Harry Hopkins, Special Assistant to President Roosevelt*¹⁶

[NEW DELHI,] December 31, 1943.

DEAR MR. HOPKINS: Following up the conversations which General Stilwell and I had with you and the President at Cairo, I enclose a memorandum which I hope will be of interest.

¹⁶ Copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N.Y.

From time to time I expect to prepare other brief memoranda on various problems confronting us in East Asia and shall send you copies.

Should you wish to discuss Far Eastern Questions with experts in Washington, I have two names to suggest: John Carter Vincent and Laurence Salisbury. Vincent's name, I recall, you knew. He is now with FEA. Salisbury is a Japanese language officer, as Bohlen is Russian and I Chinese. He has served in both Japan and China, investigated on special orders from the State Department the Japanese occupation of Manchuria and until a month or two before Pearl Harbor served as political adviser to Sayre in Manila. He has since been Assistant Chief of the Far Eastern Division, handling Japanese and Korean matters.

Sincerely yours,

JOHN DAVIES, JR.

[Enclosure]

Memorandum by the Second Secretary of Embassy in China (Davies)

[Extracts]

CHIANG KAI SHEK AND CHINA

Japan's attack caught China in mid-passage between semi-feudalism and modern statehood. External pressure in the form of Japanese aggression imposed a temporary unity on the various elements struggling to determine whether China was to develop along democratic or authoritarian lines. Public pressure compelled Chiang, who was the strongest of these elements, to become the symbol of a unified national will. The internal conflict was suspended.

This situation continued so long as the Japanese attempted to bring China to its knees by military means. But after the fall of Hankow in 1938 the war entered a period of military stagnation which has continued until now. Japan adopted instead a shrewd policy of political and economic offensives designed to bring about Chinese disintegration and collapse. Confronted with this new Japanese tactic, which promised him some respite at the expense of other Chinese elements, Chiang chose to abandon Chinese unity and retrogressed to his pre-war position as a Chinese militarist seeking to dominate rather than unify and lead.

Because his Kuomintang Government has no popular base, because the centrifugal forces in China are growing under prolonged economic

strain and because the Soviet Union may join the war against Japan and enter Manchuria and North China, the Generalissimo faces next year the gravest crisis of his career.

What form and course the crisis will take is impossible to predict. Certain contributory factors, however, are clear. One is the increasingly independent attitude of the Chinese Communists, who now say that they no longer fear Chungking. "If Chiang wants to commit suicide on us, that suits us." Another is the accelerating economic disintegration. A third is the growing restiveness of certain provincial and military factions. Any one or a combination of these may be sufficient to accomplish Chiang's downfall.

By reversing his policy of sixteen years' standing, reforming the Kuomintang and taking the lead in a genuine united front, Chiang could surely survive the crisis. But the Generalissimo is not only personally incapable of this, he is a hostage of the corrupt forces he manipulates.

In this uncertain situation we should avoid committing ourselves unalterably to Chiang. We should be ready during or after the war to adjust ourselves to possible realignments in China. We should wish, for example, to avoid finding ourselves at the close of the war backing a coalition of Chiang's Kuomintang and the degenerate puppets against a democratic coalition commanding Russian sympathy.

The adoption of a more realistic policy toward Chiang Kai-shek does not mean abandonment of our objectives (1) to capitalize during the war on China's position on the Japanese flank, and (2) to build up after the war a strong and independent China. On the contrary, it will mean that we shall be more likely to achieve these objectives. A realistic policy toward Chiang would be based on (1) recognition by us that the Generalissimo is highly susceptible to firm coordinated American pressure, (2) stern bargaining (in consultation with American representatives in China) and (3) readiness to support a strong new coalition offering cooperation mutually more beneficial to China and the United States.

NEW DELHI, December 31, 1943.

FINANCIAL RELATIONS BETWEEN THE UNITED STATES AND CHINA

I. USE OF STABILIZATION FUND, EXCHANGE RATES, IMPLEMENTATION OF U. S. CREDIT TO CHINA, INFLATION PROBLEM IN CHINA, MONOPOLIES, ETC.¹

893.515/1545c : Telegram

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

WASHINGTON, January 6, 1943—1 p. m.

23. Your 1476, December 11.² For Adler³ from Secretary of the Treasury.⁴ Reference your TF-74⁵ and TF-75 continuing TF-74, December 11, 1942.

1. In connection with question of purchase of U. S. dollar-backed certificates by persons normally resident in United States now in China and importing them or checks or drafts issued in lieu of or in exchange for such certificates, and in connection with question of purchase of such savings certificates by foreign business houses with *fapi* acquired in normal course of business, Treasury's views are as follows:

(a) Treasury is reluctant to place restrictions on the import into the United States of such certificates or checks or drafts or to consider requesting American citizens in China not to purchase such certificates or checks or drafts, until China has taken steps to restrict their purchase by foreigners and foreign business organizations and their export to the United States.

(b) Treasury will consider aiding China to enforce restrictions on sale or export of such certificates by foreigners or foreign business concerns, but Treasury feels that it cannot take such measures independently of, or as a substitute for, measures by China.

2. Treasury feels that steps should be taken to prevent sale of U. S. dollar-backed certificates or bonds from being used as a means of facilitating flight of foreign capital from Free China. Treasury does not feel that there is any basic difference between transient

¹ Continued from *Foreign Relations*, 1942, China, pp. 419-565.

² *Ibid.*, p. 558.

³ Solomon Adler, Treasury Department Economic Adviser to the United States member of the Chinese Stabilization Board, September 1941-February 1943; United States member of the Chinese Stabilization Board, February 1943 to March 1944.

⁴ Henry Morgenthau, Jr.

⁵ Telegram No. 1475, December 11, 1942, not printed; but see *Foreign Relations*, 1942, China, p. 558, footnote 4.

Americans or other transient foreigners in China or American or other foreign business houses. It would be embarrassing to Treasury to explain to American public the use of American granted funds to facilitate the flight of foreign capital from China. To permit foreigners and foreign business concerns in China to purchase directly or indirectly U. S. dollar-backed certificates or bonds would seem not to be within the spirit of the \$500 million financial aid which was given to aid China⁶ and the Chinese people and not given to provide foreigners or foreign business concerns in China with opportunity to convert their assets into U. S. dollars.

3. It is feeling here that in case of Chinese purchasers, China continues to have ultimate jurisdiction and control over U. S. dollar proceeds, but that this would not be true in the cases of purchases by foreigners or foreign business houses. Treasury can understand China's reluctance to prevent export of bonds, etc., held by Chinese. Treasury freezing controls, however, can be employed so as to freeze all such bonds, etc., in hands of Chinese sending same to the U. S. so that China may continue to control these assets. This action would not require export restrictions by China. Does China want Treasury to take such action?

4. The Treasury is considering the other various questions raised by you in your cable and will send a reply on such questions as soon as possible. [Morgenthau.]

HULL

893.51/7656 : Telegram

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

WASHINGTON, January 20, 1943.

106. For Adler from the Secretary of the Treasury. Reference your TF-75 continuing TF-74,⁷ paragraph 2, December 11, 1942.

(1) (a) With reference to your inquiry (A) as to the status of savings certificates issued by Chinese banks mentioned, such certificates constitute "securities" within General Ruling No. 5. On importation into United States, these certificates would be taken up and delivered to a Federal Reserve Bank for handling in accordance with the provisions of General Rulings Nos. 5 and 6. The person importing such security or the addressee to whom it is sent may then apply for license for the release thereof. The action taken upon any application for the release of any such certificate would, of course, depend on the facts and circumstances of each case.

⁶ For correspondence on this subject, see *Foreign Relations*, 1942, China, pp. 419 ff; for text of agreement signed March 21, 1942, see Department of State *Bulletin*, March 28, 1942, p. 263, or *United States Relations With China*, p. 510.

⁷ Telegram No. 1475, December 11, 1942, not printed.

(b) With reference to your inquiry (B), postdated checks and drafts issued in exchange for or in lieu of savings certificates by the banks referred to would not be considered "securities" or "currency" within General Ruling No. 5. Accordingly, such postdated checks or drafts would not presently be taken up upon their importation into the United States. The Treasury would be willing to consider subjecting such postdated checks or drafts to controls similar to those exercised under General Ruling No. 5 with respect to imported securities, if the Chinese Government should so request.

(2) Under General Licenses Nos. 60 and 61, as they now stand, certificates, postdated checks, or drafts issued by the Central Bank of China, the Bank of China, the Bank of Communications, and the Farmers' Bank of China which are transmitted to the United States and, in the case of certificates, released under General Ruling No. 5, may be paid from the accounts of such banks in the United States. In the case of the Bank of China, the Bank of Communications, and the Farmers' Bank of China, payment of such certificates, checks, or drafts may be made only out of the accounts of the offices within China of these banks.

(3) With reference to question (C) as to the status of the Central Trust and Postal Savings Bank, these institutions come under General License No. 60 to the extent that they act as agents for the Central Bank of China and the Government of China.

(4) Upon maturity of the checks, drafts, or certificates (if the last have been released from the provisions of General Ruling No. 5), the proceeds will be handled in accordance with the terms of Executive Order No. 8389, as amended; that is, if the proceeds are payable to a blocked national, they may be paid into a blocked account. If not payable to a blocked national, these restrictions would not be applicable and payment in the ordinary course could be effected. If any certificate matures while held in a General Ruling No. 6 account, the proceeds thereof would be credited to such an account in the same bank. Any other disposition of the proceeds of any certificate held in a General Ruling No. 6 account may be effected only under license. [Morgenthau.]

HULL

893.51/7668a : Telegram

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

WASHINGTON, January 22, 1943—2 p. m.

112. For Adler from the Secretary of the Treasury.

1. In connection with current discussions in Treasury regarding Chinese exchange rate and payment of American soldiers in China,

the Treasury would appreciate your personal and confidential views on the following questions:

(a) What is the present attitude of the Chinese Government towards the continued black market sales of U. S. currency notes by members of the United States Air Force in China?

(b) Does the Chinese Ministry of Finance still prefer to permit the continuation of these black market sales rather than to discuss the possibilities of a reduction of the exchange rate or the instituting of special rates for payment of United States soldiers in China?

(c) Do you see serious objections to Treasury's not doing anything about the present situation until such time as the Chinese Government chooses to raise the matter with the United States Government?

2. Please consider the above matter as strictly confidential.
[Morgenthau.]

HULL

893.51/7668 : Telegram

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

CHUNGKING, January 26, 1943—9 a. m.

[Received 2:25 p. m.]

137. From Adler for Secretary of Treasury. TF-85. Re your 106, January 20.

1. In a conversation with Dr. Kung⁸ yesterday, I informed him of the status of savings certificates, post dated checks and drafts under existing regulations. He was most upset by the fact that the United States dollar proceeds of certificates et cetera would have to be paid into a blocked account on maturity if they are payable to blocked nationals. He indicated that most of the purchasers of certificates et cetera are blocked nationals who made their purchases on the understanding that the United States dollar proceeds would be free and that, if Chinese investors realized these proceeds would be blocked, sales of certificates, which had picked up encouragingly with the announcement that drafts or post dated checks could be obtained in lieu of or in exchange for certificates, would very sharply fall off. A situation would then arise in which one of the purposes for which the American loan to China was made and the certificates were issued—namely, as an anti-inflationary measure to facilitate absorption of *fapi*⁹—would be defeated. He felt therefore that in this connection the Treasury could best implement its desire to help China by a modification of FFC⁹ regulations which would leave the United States dollar proceeds of certificates et cetera free on maturity.

⁸ Chinese Minister of Finance.

⁹ Foreign Funds Control.

2. I pointed out that

(a) Most of the purchasers of certificates et cetera would have no need for United States dollars in the near future.

(b) It was the purpose of Foreign Funds Control to prevent Axis nationals or agents from utilizing such United States dollar assets as are or may come in their possession, and unless there was some check on the bona fide character of purchases of certificates et cetera I was sure the Treasury would be reluctant to consider any modification of existing regulations.

With respect to (a), Dr. Kung agreed; such was the psychology of Chinese investors, however, that they would shun certificates the United States dollar proceeds of which were blocked on maturity for fear that Chinese authorities might later play some trick on them, and it would then be impossible [for] Chinese Government to derive any immediate benefit from the American loan. The 1942 budget, he added, had been planned on assumption that the whole of the issue of certificates would be taken up by the public; since beginning of year, between United States dollars 6 and 7 million had been bought and prospects for selling the issue out were most favorable. But with discovery that United States dollar proceeds would be blocked investors would cease to buy the certificates.

With respect to (b), he was of course fully aware of the necessity for safeguards but felt that fact the government banks selling the certificates, et cetera, kept records of the identity of purchasers constituted a check; a reporting requirement in the United States for transactions with United States dollar proceeds could constitute an additional check.

3. It is most unfortunate that Chinese Government raised the question of the status of certificates, et cetera, only when it was about to adopt the plan of issuing drafts or post-dated checks in lieu of or in exchange for certificates. However, speedy settlement of question is now desirable. I am afraid that Dr. Kung's point with respect to the psychology of Chinese investing public is only too well taken and that unless there is some modification of existing FFC regulations in relation to status of certificates, et cetera, their sales will be drastically curtailed and confidence in Chinese finances seriously undermined. [Adler.]

GAUSS

893.51/7669 : Telegram

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

CHUNGKING, January 29, 1943—10 a. m.

[Received 10:48 a. m.]

156. TF-86 to Secretary of Treasury from Adler. Re your 112 of January 22.

1. In recent conversations Dr. Kung has repeated his opinion that a reduction in official exchange rate and institution of special exchange rates for USAF are both undesirable, though my impression is that his attitude to a reduction in exchange rate is less adamant than formerly. He told me a day or two ago that he was sympathetically considering a plan for reverse Lend-Lease¹⁰ for USAF which would take care of its expenses in China. (Another feature of the scheme he is considering, I believe, is the granting in a disguised form of special rates to American soldiers for their personal expenses.) The Generalissimo has already approved the plan provided it does not involve expenditures of over CN \$10,000,000 per month. But before submitting the plan to the Treasury formally Dr. Kung wished to learn your attitude to reverse Lend-Lease by China.

2. With respect to black market, he informed me at the same time that he was preparing to submit a proposal to Executive Yuan whereby trading in the black market would be made illegal and all dealings in foreign currencies would be restricted to Central Bank or its designated agents (i. e., the Bank of China). In this connection he asked me for copies of our regulations concerning the import and export of currency.

3. I see no objection to Treasury's not doing anything about black market until Chinese Government chooses to raise the matter with the United States Government. [Adler.]

GAUSS

893.5151/909 : Telegram

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

CHUNGKING, January 29, 1943—11 a. m.

[Received January 30—7: 30 a. m.]

157. TF-87 to Secretary of the Treasury from Adler. Re your 1284 of December 30.¹¹

(a) There is no specific information to indicate that Axis nationals or agents are benefiting from absence of restrictions on export of foreign currency from China.

(b) Axis agents might take advantage of existence of black market to obtain foreign currencies therefrom and send it to India, but representative of Indian exchange control now visiting Chungking tells me that Indian authorities have no evidence that such has been done.

(c) "Undesirable purposes" referred to include, firstly and chiefly, purchase of goods in India for hoarding against rising prices in India and, secondly, the possibility of financing Axis activities in India.

¹⁰ For further correspondence on reverse Lend-Lease, see pp. 515 ff.

¹¹ *Foreign Relations*, 1942, China, p. 564.

(d) According to Ministry of Finance, Japanese have not hitherto been able to dispose of foreign currency looted in Shanghai for purchase of goods in and their export from Free China. Bank of China [at] Chungking informs me that, according to its reports from Shanghai, Japs are still eager to buy United States currency there and suggests that they may use it for purchases of goods from neutral countries.

(e) According to Ministry of Finance, there are no intelligence reports to show that Japanese have obtained or are obtaining foreign currency from Free China.

(f) There are no restrictions on imports of foreign currency into Free China save for the regulations fixing January 31 and October 10, 1942 as the final dates on which Hong Kong dollars and Burma rupees could be converted into *fapi* by refugees at the official rate at stipulated rates. In my opinion regulations on the lines suggested by Dr. Kung as reported in 2 of TF-86¹² are needed in order to control movements of foreign currency. [Adler.]

GAUSS

893.515/1545d : Telegram

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

WASHINGTON, January 30, 1943—7 p. m.

151. For Adler from the Secretary of the Treasury.

1. Mr. Hsi¹³ called on Treasury on January 20, 1943, to transmit message received by him from Dr. Kung requesting Treasury to allow China to draw from the unearmarked portion of the US \$500 million credit US \$20 million to meet payments for banknotes ordered from United States and to purchase banknote paper, ink and other relative materials.

2. Mr. Hsi has been informed that the Treasury is prepared, if so requested by the Ministry of Finance, to make available US \$20 million from China's credit on the books of the Treasury to meet payments referred to above, but that the Treasury does not understand why Dr. Kung is requesting an additional US \$20 million when the Government of China still has very substantial idle funds in addition to the unearmarked portion of the US \$500 million credit. The Treasury would have to borrow the requested \$20 million, paying interest thereon, and, therefore, from a fiscal point of view, the Treasury would prefer to have the Chinese use their idle funds before drawing further on their credit with the Treasury. If, in the future, the

¹² Telegram No. 156, *supra*.

¹³ Hsi Te-mou, Chinese representative visiting the United States.

Chinese needed more funds, they could call on the Treasury for such, as long as the \$500 million credit had not been exhausted.

3. Mr. Hsi was requested to explain the Treasury's position to Dr. Kung in sufficient detail so there would be no chance for misunderstanding. [Morgenthau.]

HULL

893.51/7671 : Telegram

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

CHUNGKING, February 3, 1943—9 a. m.

[Received 1:33 p. m.]

184. To Secretary of the Treasury from Adler. TF-89. In accordance with article 1 (c) of the Sino-American agreement of April 1, 1941, Board asks me to consult you on the desirability of investing the United States \$2,000,000 in its account with the Federal Reserve Bank in direct obligations of the Government of the United States. The Board is receiving sufficient United States dollars from remittances to meet its out-payments for the next few months with respect to both direct applications for foreign exchange and to its obligations to the Central Bank under the November 1 agreement without having to draw on the United States \$2,000,000 in the Federal Reserve Bank. [Adler.]

GAUSS

893.51/7671½

Memorandum by the Assistant Chief of the Financial Division (Luthringer) to the Acting Chief of the Foreign Funds Control Division (Meltzer)

[WASHINGTON,] February 6, 1943.

MR. MELTZER: Attached is a copy of a Chinese memorandum¹⁴ which I mentioned to you the other day. The memorandum appears without title or initials because last February when people were scratching their heads trying to dope out the most effective way of aiding Chinese internal finances from the outside someone had the idea of submission of anonymous suggestions.

The idea of using dollars to secure savings certificates and bonds originated, as I recall, with the Chinese. Unfortunately when it came to implementing the idea the Chinese characteristically barged

¹⁴ Document prepared in the Department of State dated February 12, 1942, *Foreign Relations, 1942, China*, p. 461.

ahead without asking our Treasury or anyone else for advice or suggestions. Later information has shown that one reason why the bonds particularly, and to some extent savings certificates, have not sold well is because the Chinese suspect that their own Government will in some way bilk them of the dollar collateral.

You will note that to the extent that the attached memoranda circulated in the Department at least no one should have had any illusions as to the kind of handsome gift which operations of this character would provide for wealthy Chinese speculators. I think the same was appreciated by the Treasury, but the Treasury at that time was jittery about China continuing in the war and was willing to give the Chinese almost anything they asked for.

Please note on page 2 of the memorandum of December 31, 1941¹⁵ the citation of Mr. Arthur Young's¹⁶ opinion that the Chinese public might be hesitant about buying foreign currency obligations because of our freezing regulations. This would indicate that the Chinese Government should always have appreciated that the dollars back of the savings certificates would be blocked unless we made an exception to our freezing regulations. For your information Mr. Young is an Adviser of the Chinese Government.

If the Chinese Government is insistent that the certificates be paid off in free dollars it seems to me that they have a very strong talking point in that the Treasury has always played up the fact that China was frozen in the first instance at China's request and in order to assist China to meet its financial problems. In other words, had not China itself requested it I suppose that there is a very good chance that now unoccupied China might be unblocked or enjoying a general license as liberal as that of the Russians. In the light of these considerations I think the original Treasury telegram might well have infuriated the Chinese.

893.51/7671 : Telegram

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

WASHINGTON, February 8, 1943—8 p. m.

201. For Adler from the Secretary of the Treasury. Your cable dated February 3, 1943, No. TF-89.

1. The Treasury sees no objection to the Board's investing the US \$2 million in its account with the Federal Reserve Bank in direct obligations of the Government of the United States.

¹⁵ Annex to the document prepared in the Department of State, February 12, 1942, *Foreign Relations*, 1942, China, p. 461.

¹⁶ American adviser to the Chinese Ministry of Finance.

2. It is assumed that if the Board desires to make such investment it will consult with the Federal Reserve Bank of New York as to the type of security or securities in which it desires to invest. [Morgenthau.]

HULL

893.515/1545d Suppl. : Telegram

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

WASHINGTON, February 13, 1943—1 p. m.

222. Department's 151, January 30, 1943. For Adler from Secretary of Treasury.

1. Dr. Kung has indicated through Mr. Hsi reluctance to use part of the \$200 million set aside in special accounts with the Federal Reserve to meet payments for banknotes, etc. because \$200 million set aside by governmental decree and this action made public. Nevertheless, Dr. Kung expressed willingness to use uninvested part of \$200 million as Treasury suggested.

2. Treasury has asked Mr. Hsi to inform Dr. Kung that, in light of further considerations put forth by Dr. Kung, Treasury, as requested, is willing to transfer \$20 million more out of the unearmarked portion of the \$500 million. [Morgenthau.]

HULL

893.51/7668 : Telegram

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

WASHINGTON, February 13, 1943—9 p. m.

223. Your 137, January 26, 9 a. m. For Adler from Secretary of Treasury.¹⁸ Please transmit the following message to Dr. Kung:

Treasury has given careful consideration to his proposal but regrets that it is not in a position to recommend the modification of its controls so as to leave the U. S. dollar proceeds of such certificates, etc., when paid to the account of a blocked Chinese national, free when maturity is reached.

Freezing controls are a fundamental instrument of this Nation's war effort and security measures. Treasury trusts that he would appreciate that the present proposal would impair the entire control. It would, for example, involve considerable danger that free dollars might be placed at the disposal of enemy agents and other undesir-

¹⁸ This telegram was drafted by the Treasury Department in consultation with officers of the Department of State.

ables, with practical injuries to our common war effort, which both the United States and China wish to avoid. Neither the listing of the original purchasers nor the reporting requirement here would constitute adequate safeguards against these dangers. Moreover, the present proposal would raise many other complex problems regarding U. S. control over funds of all blocked countries.

Since our Foreign Funds Control laws were in existence at the time when the certificates, etc., were sold it is to be expected that the purchasers of such certificates, etc. appreciated that there was no commitment on the part of the United States to exempt from its Foreign Funds Control laws the U. S. dollar proceeds which the purchasers would receive at the time of maturity. It is to be assumed that the purchasers of such certificates, etc. understood that an undertaking to this effect could only be given by the United States. Since the Government of China is fully prepared to make payment on these certificates, etc. as contracted, there would seem to be no question of the Government of China's failing to meet its obligations.

The individuals holding the blocked U. S. dollar proceeds of such certificates, etc. would, of course, be entitled to all benefits of our existing general licenses, and, where general licenses are not applicable, specific licenses for the release of such blocked funds could be applied for through the ordinary channels. The Treasury would, of course, give the most favorable consideration to requests for specific licenses for legitimate transactions and, moreover, in accordance with the Treasury's past practice, the Treasury would be glad to consult with the Stabilization Board prior to the releasing of any of these blocked assets if the Stabilization Board so desired. China may, of course, assure purchasers of these obligations that they may count on the traditional fairness of this Government in dealing with any such assets. [Morgenthau.]

HULL

893.51/7676 : Telegram

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

CHUNGKING, February 19, 1943—4 p. m.

[Received February 19—12:44 p. m.]

260. TF-95 to Secretary Treasury from Adler. Re your 223 of February 14 [13]. Dr. Kung on hearing your message said that he appreciated the need for the maintenance of control measures and that he in no way wished to embarrass the Treasury in its enforcement of the necessary controls. He also appreciated Treasury's willingness to accord the maximum consideration in regard to requests for funds

for permissible transactions through specific licenses. His objectives in floating the savings certificate issue had been twofold: To sop up *fapi* and to make United States dollars available to Chinese merchants so that when it became possible for them to place orders for much needed machinery and raw materials in America, they would be in a position to do so, to the mutual advantage of both countries. I pointed out that in any case such orders could not be placed for some time to come and that therefore the present status of the United States dollar proceeds of the certificates would interfere with the attainment of his second objective. He replied that while he was fully aware of this he doubted whether the merchants would be; he repeated that the possibilities of making additional sales of certificates on a significant scale were remote, as Chinese had purchased them in the belief that the United States dollar proceeds would be free. Dr. Kung agrees that the Stabilization Board should be consulted by the Treasury re the release of the blocked United States dollar proceeds of the certificates and is anxious for an arrangement to be set up whereby the Board would make recommendations to the Treasury on applications from holders of certificates for release of their blocked funds when their certificates mature. [Adler.]

GAUSS

893.51/7676 : Telegram

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

WASHINGTON, March 5, 1943—4 p. m.

300. Your TF-95, February 19.¹⁹ To Adler from the Secretary of the Treasury.

Part I: Please transmit the following message to Dr. Kung:

With reference to the question of the status of the proceeds of the U. S. dollar-backed certificates, etc., Treasury wishes to express its appreciation of Dr. Kung's cooperative attitude in not wishing to embarrass the Treasury in the enforcement of its Foreign Funds Control measures. The Treasury is consulting with the Stabilization Board regarding some procedure with respect to applications which may be received by the Treasury from holders of certificates, etc. for the release of the blocked proceeds of such certificates, etc. at maturity.

Part II: Please discuss the following matter with the Stabilization Board:

1. The Treasury suggests the Board may wish to request that the following procedure be followed with regard to applications received

¹⁹ Telegram No. 260, *supra*.

by the Treasury for the release of the blocked proceeds of the U. S. dollar-backed certificates, etc. at maturity when paid to the account of a blocked Chinese national:

(a) In cases wherein the application could be acted on under existing general licenses such as General Licenses Nos. 2, 5, 11, 58, 60, 75, or other applicable general licenses, the procedures already provided for in such licenses would be followed.

(b) In cases which are not provided for by existing general licenses and for which specific Treasury licenses will be necessary:

(1) If the individual application involves a substantial sum, the Treasury is prepared to refer such application to the Stabilization Board for the Board's prior approval.

(2) If the amount involved is nominal, the Treasury, for administrative reasons would prefer to pass on such cases without reference to the Board but would act in accordance with the general attitude of the Board as indicated by the Board's reaction to cases referred to it. Furthermore, the Treasury, if so desired by the Board, would submit periodic reports to the Board summarizing such transactions.

2. If the cases involving substantial sums became very numerous and the reference of each individual case to the Stabilization Board became administratively not feasible, the Treasury would then raise with the Stabilization Board the question of working out a procedure suitable to existing conditions.

3. The Treasury would be pleased to receive the reaction of the Board to this suggested procedure.

4. For your own information please keep in mind in your discussions with the Board that the reference of cases to the Board will entail considerable delay and administrative routine. While the Treasury is willing to refer such cases to the Board it is felt that such reference of cases should be kept to a minimum. [Morgenthau.]

WELLES

898.5151/915

Memorandum of Conversation, by Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] March 11, 1943.

Participants: Mr. J. B. Brigden, Financial Counselor of the Australian Legation;
Mr. Hornbeck;
Mr. Hiss.

Mr. Brigden called on Mr. Hornbeck and said that his Legation had received a somewhat garbled or ambiguous message from London which indicated that the United States was discussing with the Chi-

nese the problem of exchange rates and of relief for American officials in China.²⁰ Mr. Brigden said that as we were all aware the present exchange situation worked severe hardship on foreign official representatives in China.

Mr. Brigden was told that Mr. Playfair of the British Treasury had been in some weeks ago as a result of a telegram which had been received from the British Military Attaché in Chungking and that it seemed likely that the Australian Legation's information stemmed from this same source. Mr. Brigden was further told that we had for some time been giving consideration to the problem of our official representatives in China in connection with exchange matters but that, unless General Stilwell²¹ has discussed the matter informally with the Chinese, we do not believe there has been any direct discussion between American and Chinese officials on this matter. We understand that the Chinese desire that there be no change in the exchange rate and that they further are opposed to the granting of special exchange rates. It was suggested to Mr. Brigden that he might wish to talk to the British Embassy or to Mr. Playfair about the matter or that he might wish to take up with the War Department the question of what arrangements General Stilwell had made on an *ad hoc* basis. Mr. Brigden said he was interested only in the Australian Legation's staff in Chungking, not in problems of the British or American military forces in China. Mr. Brigden was told that if things developed in such a way that there appeared to be likelihood that we could work out some satisfactory arrangement with the Chinese authorities we should be glad to notify the Australian Legation. Mr. Brigden expressed his appreciation for this offer.

893.51/7683 : Telegram

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

CHUNGKING, March 19, 1943—1 p. m.

[Received 1:34 p. m.]

403. In March last year the British Ambassador²² notified the Embassy that he was sending a memorandum to the Foreign Office suggesting that the Chinese Government take measures to prevent the Japanese and other enemy nationals from realizing upon such Chinese Government bearer bonds as might come into their possession

²⁰ For further correspondence on the problem of exchange rates in relation to reverse Lend-Lease negotiations, see pp. 515 ff.

²¹ Gen. Joseph W. Stilwell, Commanding General, United States Army Forces in China, Burma, and India.

²² Sir Horace James Seymour.

and suggested that the Embassy might wish to take similar action. The Ambassador replied that he did not feel that it would be appropriate to make an official approach in this matter but he did write to Dr. Arthur Young, adviser to the Chinese Minister of Finance, on the subject. In April the Ministry of Foreign Affairs gave the British Embassy a reply describing the measures it was taking, measures which were somewhat indefinite and not considered by the British Embassy as satisfactorily meeting the situation. Pertinent correspondence being forwarded by pouch.

Dr. Young has now informed me in conversation that the subject has been receiving consideration and recently the conclusion had been reached to effect registration of Chinese Government foreign currency bonds held abroad, and, in view of actual or potential enemy seizure of such bonds held in places now occupied by the enemy in Europe as well as the Far East, to effect registration while communications and movement of securities from country to country are under strict control. Dr. Young stated that the Chinese Ambassadors in Washington and London²⁴ have been given instructions on the subject (it is understood that Wellington Koo now en route to London via America is carrying those instructions with him) but before taking action they are to discuss the subject with both governmental and private authorities of United States and Great Britain.

VINCENT

893.51/7655 : Telegram

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

WASHINGTON, March 20, 1943—11 p. m.

380. For Adler from the Secretary of the Treasury. Your 1440, December 7, TF-72 and Department's 1114, November 20, 1942.²⁵ Please discuss the following with Dr. Kung:

1. In accordance with the expressed desire of Dr. Kung that the effecting of remittances from the United States to occupied China should be allowed by the United States Government as long as such remittances are made through unoccupied China, the Treasury Department and Censorship officials in the United States have permitted all remittances to occupied and unoccupied China made in accordance with the provisions of General License No. 75. It is not clear, however, from your cable of December 7, TF-72, whether the Chinese Government desires the continuation of remittances through unoccupied China to fully occupied places such as Shanghai and Canton.

²⁴ Wei Tao-ming and V. K. Wellington Koo, respectively.

²⁵ *Foreign Relations*, 1942, China, pp. 553 and 549, respectively.

The Treasury would be pleased to have Dr. Kung's views on remittances to such places.

2. Treasury and Censorship officials are also concerned about instructions originating in the United States which are being sent by letter or cable to persons in unoccupied China directing them to forward funds to persons in occupied China, including Shanghai and Hong Kong and Kwangchowan. The Treasury and Censorship officials are concerned because there is no indication that such instructions are passed on or are even coming to the attention of the Government of China. Therefore, these instructions originating in the United States may be resulting in remittances to occupied China which are not being controlled either by the United States or Chinese Government. It is felt that such instructions should not hereafter be permitted unless adequate controls are in effect.

3. The Treasury would be pleased to have Dr. Kung's reaction to this problem, including (a) whether the Chinese Government desires that the United States allow instructions to be sent by cable or by letter to unoccupied China which result in the transfer of funds to persons in occupied China, and (b) if the Chinese Government desires that the United States permit such instructions to go to unoccupied China, could such instructions be channeled through some agency of the Chinese Government, thereby assuring the U. S. Treasury that the Chinese Government was reviewing all instructions originating in the United States which had the effect of transferring funds from unoccupied to occupied China, including Shanghai, and Hong Kong and Kwangchowan.

4. The Treasury would be pleased if the Chinese Government considered this matter as urgent. [Morgenthau.]

HULL

893.51/7686 : Telegram

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

CHUNGKING, March 28, 1943—9 a. m.

[Received 11:20 p. m.]

464. Secretary of the Treasury from Adler. TF-102. Reference your 380, March 20.

1. Dr. Kung informs me that he would prefer to have remittances from the United States even to fully occupied China maintained as long as they are effected in accord with general license 75 and via Chungking, so that they are subject to Government control. He indicated that many families in occupied areas, particularly certain areas in Kwangtung, are dependent for their livelihood on support from

relatives abroad and that to cut off such support would rouse discontent among overseas Chinese whose political influence is out of proportion to their numbers.

2. Dr. Kung has no objection to instructions being transmitted from the United States to unoccupied China which result in the transfer of funds to occupied China. At the same time he welcomes your suggestion that such instructions be channeled through an agency of the Central Government. He stated that he will immediately take up the question of setting up such an agency with the Central Bank. I understood that the Central Bank intends to designate the Bank of China, Chungking, as its agent for this purpose and shall notify you as soon as arrangement is arranged. [Adler.]

VINCENT

898.51/7685 : Telegram

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

CHUNGKING, March 28, 1943—10 p. m.

[Received March 28—11:24 a. m.]

465. To the Treasury from Adler. TF-103. Reference your 300, March 5.

1. Board has given careful consideration to your scheme and a scheme submitted by Dr. Kung at about the same time. Main difference between Kung and Treasury scheme is that in former (subject to your approval) applications for unfreezing United States dollar proceeds of savings certificates would be forwarded to Treasury through Board. Board decided that Treasury scheme the more feasible in practice. Board has informed Dr. Kung of its decision and is awaiting his reply before asking me to inform you accordingly.

2. I understand that Dr. Kung has also expressed a preference for Treasury scheme but Board has not yet heard officially from him. [Adler.]

VINCENT

893.5151/921 : Telegram

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

CHUNGKING, May 11, 1943—11 a. m.

[Received 11:28 a. m.]

682. Secretary of Treasury from Adler. TF-118.

1. Learn from reliable source that Japs moved the CN dollars 311 million of Chinese currency held for Board by appointed and approved banks in Shanghai to vaults of Yokohama Specie Bank in

Shanghai and that they have since used this currency for transactions in occupied China.

2. It is unofficially reported that Dr. Kung, who is at present in Chengtu, informed representatives of foreign missionary and philanthropic organizations in Chengtu that he was willing to give them the official rate plus 50% for their foreign exchange remittances. [Adler.]

VINCENT

893.51/7655 : Telegram

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

WASHINGTON, May 24, 1943—7 p. m.

658. For Adler from the Secretary of the Treasury. Department's 380, March 20, and your cable of March 28, TF-102.

1. The Treasury proposes for the consideration of Dr. Kung and the Stabilization Board the following program for effecting remittances from the United States to occupied China.

(a) The Bank of China, New York Agency, or any bank in the United States, including Hawaii, designated by it, would be permitted to effect remittances including telegraphic and air mail transfers to persons in occupied China through the Bank of China, Chungking.

(b) Such remittances would be effected in accordance with procedure outlined in General License No. 75. The Chinese Government would assume the responsibility for reviewing in Chungking each such remittance to determine the desirability of providing funds to such beneficiaries, and would ensure that the effectuation of such remittances would not result in a benefit to the enemy.

(c) Censorship officials in the United States would be informed by the Treasury that no instructions (other than those sent by the Bank of China, New York Agency, or other bank designated by it, to the Bank of China, Chungking) should be permitted to go forward from the United States to China which directed persons in unoccupied China to send funds to persons in occupied China. Instead, Censorship officials in appropriate instances would inform the senders of such instructions that they should contact the Bank of China, New York Agency, or other satisfactory bank designated by the Bank of China, with regard to such transactions. The Bank of China, New York Agency, or banks designated by it, on being contacted by these individuals, could effect the remittances in the manner outlined in (a) and (b) above, thereby subjecting such remittances to the controls of the Chinese Government.

(d) We are considering the desirability of permitting remittances as specified in (a) and (b) above to be effected also by Hongkong and Shanghai Banking Corporation, New York. We would appreciate your comments on extending such facilities to this bank.

2. The U. S. Treasury would be glad to receive the comments of Dr. Kung and the Stabilization Board on the above proposals.

3. The Treasury has been contacted by the Bank of China, New York Agency, regarding remittances to occupied areas in Kwangtung. The Bank of China suggested that Treasury's General Ruling No. 11 be amended to permit remittances to occupied areas in Kwangtung. The Bank of China has been informed that revision of General Ruling 11 will not be considered by the Treasury at this time and that any arrangements made will be in the nature of an informal and confidential understanding. [Morgenthau.]

HULL

893.5151/928a : Telegram

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

WASHINGTON, May 31, 1943—6 p. m.

697. For Adler from the Secretary of the Treasury of the Treasury. Your cables of May 22, TF-122 and of May 12, TF-120.²⁶ Please discuss the following with Dr. Kung and the Stabilization Board:

1. The Treasury has been informed that the proposal of the Ministry of Finance to extend favorable treatment to consulates and embassies in connection with the conversion of foreign exchange into *fapi* for their expenditures provides that the foreign exchange which is received from such foreign consular and diplomatic bodies will not be credited to the account of the Stabilization Board of China, but instead will be put in a separate account with the Central Bank. The Treasury does not understand why special treatment is being accorded to these foreign exchange receipts and is disturbed that the Stabilization Board is not the ultimate recipient of such foreign exchange receipts.

2. In connection with the proposals being considered by the Ministry of Finance whereby foreign missionary, philanthropic and educational organizations would have their contributions for famine relief matched by the Government of China and would be granted the official rate plus 50%, the Treasury feels that any arrangement worked out should continue to keep the Stabilization Board as the recipient of foreign exchange receipts from remittances to foreign missionary, philanthropic and educational organizations. The Treasury cannot see any reason why present arrangements between the Central Bank and the Stabilization Board regarding disposition of foreign exchange should be changed.

3. Please advise Treasury as to Dr. Kung's and Stabilization Board's views on the above matters. [Morgenthau.]

HULL

²⁶ Telegrams No. 755, 10 a. m., and No. 692, 10 a. m., pp. 544 and 535, respectively.

893.51/7694 : Telegram

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

CHUNGKING, June 3, 1943—3 p. m.

[Received June 4—10:25 a. m.]

842. TF-127. To Secretary of Treasury from Adler. Re your 658, May 24.

1. Have submitted your proposals to Board and Dr. Kung and will report their views on each at earliest opportunity.

2. Re your 1 (*d*), I support extension of permission to make remittances to Hong Kong and Shanghai Bank on following grounds: (*a*) when and where possible it is desirable to help to mitigate or counteract existing unhealthy trend towards monopolization of business in hands of government or semi-government institutions. This is desirable from point of view of Chinese as well as foreign business interests; (*b*) granting permission to Hong Kong and Shanghai Bank will serve as precedent for subsequent inclusion of American banks which may decide to open branches in free China. [Adler.]

ATCHESON

893.5151/929 : Telegram

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

CHUNGKING, June 10, 1943—noon.

[Received 3:13 p. m.]

892. TF-129. Sec[retary of the] Treas[ury] from Adler, re your 697, May 31.

1. In course of conversation reported in TF-128,²⁷ Dr. Kung indicated that clause 2 of Ministry of Finance's measure, reported section 1 my TF-120, May 12,²⁸ did not mean that the Board [would] not be the ultimate recipient of the foreign exchange from diplomatic and consular bodies. Nor did the other arrangements preclude the Board from being the ultimate recipient of foreign exchange from missionary organizations, etc. He could not make the Board the immediate recipient of such foreign exchange as the Board could not buy foreign exchange at 30 or 40 when its official rate is 20. It should be noted, however, that Dr. Kung did not commit himself on whether the Board would be the ultimate recipient of foreign exchange converted into *fapi* at 30 or 40.

2. The Board has not yet discussed questions raised in your 697. In fact the chairman is avoiding calling a meeting until whole situa-

²⁷ Telegram No. 879, June 9, 1 p. m., p. 457.

²⁸ Telegram No. 692, 10 a. m., p. 535.

tion with respect to the Board's status is crystallized. In the meantime the Central Bank is going ahead on the assumption that the Board will automatically consent to the Ministry of Finance's proposal with respect to missionaries, etc.

3. Board has been officially notified by Ministry of Finance of a proposed arrangement whereby foreign military officers and journalists will receive official rate plus 50% from Central Bank with which foreign exchange accruing from these sources will be kept in a separate account. [Adler.]

ATCHESON

893.5018/48

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

No. 1320

CHUNGKING, July 3, 1943.

[Received August 4.]

SIR: With reference to the Embassy's telegram no. 956, June 18, 9 a. m.²⁹ regarding famine conditions in Kwangtung Province, there is enclosed a copy of a memorandum of conversation of June 21, 1943³⁰ with Dr. T. F. Tsiang, Director of the Political Affairs Department of the Executive Yuan, in regard to the food shortage in Kwangtung and the food problem in other areas in Free China.

Dr. Tsiang states that the high prices offered by the Japanese in areas adjacent to the famine region in Kwangtung are resulting in shipments of rice from unoccupied to occupied areas and that, unless this trade is stopped, the shipment of large quantities of rice to the famine area will not solve the food problem there. He points out that the area has never been self-supporting in foodstuffs and that the influx of refugees from Japanese-occupied areas has made the situation more serious. The people of this area who formerly depended upon remittances from abroad are particularly hard hit due to the cessation of overseas remittances from the South Seas. Those who receive remittances from the United States have further increased the seriousness of the problem through their purchases and hoarding of rice. Dr. Tsiang is of the opinion that even favorable harvests will not give adequate relief to famine sufferers in this area and states that the Central Government is giving serious attention to the situation.

According to Dr. Tsiang, timely rainfall has improved the prospects for good harvests in Fukien, Honan and Szechuan and there

²⁹ Not printed; it reported famine conditions "exist in some degree throughout whole of Kwangtung with East and West River areas most seriously affected." (893.5018/42)

³⁰ Not printed.

seems to be no cause for alarm with respect to the food supply in these provinces.

Respectfully yours,

GEORGE ATCHESON, JR.

893.5151/942

Memorandum of Conversation, by Mr. Troy L. Perkins of the Division of Far Eastern Affairs

[WASHINGTON,] July 7, 1943.

Participants: Mr. E. M. Bernstein and Mr. I. S. Friedman of the Treasury Department
Mr. Perkins, FE

Mr. Perkins called at the Treasury on July 7 at the request of the office of Mr. White, Assistant to the Secretary of the Treasury, and talked to Mr. Bernstein and Mr. Friedman. Mr. Friedman explained that the Treasury officials wished to inform us of recent developments in financial relations with the Chinese Government.

Mr. Friedman said that as of June 30, 1943, \$200,000,000 of the \$500,000,000 credit to China had been withdrawn by the Chinese Government. The Chinese financial authorities, apparently at the instance of Generalissimo Chiang Kai-shek,³¹ have now requested that they be allowed to withdraw an additional \$200,000,000 of this fund to purchase gold from the United States. It was explained that in as much as the fund is pledged to China, that country can make withdrawals for such use as may be desired. At the same time the Treasury is interested in seeing that the fund be used in furtherance of the war effort. Following consideration of China's proposal, it has been decided in principle that the amount desired will be released to China, although technical details remain to be worked out.

Upon Mr. Perkins' inquiry as to the practical use which the Chinese might intend to make of the gold purchase, it was explained that presumably shipment of gold to China would be handled in the same manner as shipment of bank notes. One million dollars in gold weighs one ton, consequently 200 tons of air cargo space would be required for the total shipments. It is anticipated that a free gold market in China will be established, present regulations against trading in gold having first been rescinded.

Mr. Bernstein explained that gold importations should be helpful economically, both as a psychological and as a practical financial measure; under the latter heading would be the anticipated diversion of excess Chinese funds into the purchase of gold, as well as a probable

³¹ President of the Chinese Executive Yuan (Premier),

decrease in commodity purchases. It is hoped at the same time that the rate of bank note issue could be decreased to some extent.

Mr. Perkins thanked the two Treasury representatives for their courtesy in making this information available to us.

893.5151/943

Mr. Harry Dexter White, Assistant to the Secretary of the Treasury (Morgenthau), to the Assistant Secretary of State (Berle)

WASHINGTON, July 10, 1943.

DEAR ADOLF: I am enclosing a copy of a memorandum submitted to us by Dr. Kuo²² relating to the withdrawal of gold by the Chinese Government from the United States. We have discussed this matter with the Chinese representatives and have informed Mr. Perkins of the Far Eastern Division of the facts.

We can't very well refuse to sell the Chinese gold for the dollars they have, though we feel that the resultant loss to China of foreign exchange resources is hardly outweighed by the advantages of the step. In any case the operations would have to be very skillfully handled by China if any significant contribution toward checking inflation is to be achieved.

Sincerely yours,

HARRY D. WHITE

[Enclosure]

SUBSTANCE OF A CABLEGRAM RECEIVED FROM DR. H. H. KUNG,
JULY 8, 1943

During the six years of our war of resistance China's military expenditure has been increasing continuously. According to the national budget of the current year, the estimated expenditure was originally placed at 362,000,000,000 yuan, while the estimated income was given as 232,000,000,000 yuan, representing about 65% of the total expenditure. The remaining 35% is entirely met by increased note issue.

Owing to military requirements and the requests made by the American Military Mission, the Chinese Government has undertaken to build, or improve, the airfields in various parts of the country and to increase their equipment, as well as to improve the Yunnan-Burma highway and other necessary highways and railways. Each enterprise often necessitated the expenditure of 4,000,000,000 to 5,000,000,000 yuan, making a total of additional requirements amounting to over 30,000,000,000 yuan.

²² P. W. Kuo, representative of the Chinese Ministry of Finance.

Furthermore, owing to the difficulties of transportation and the small volume of supplies received under the American Lend-Lease Act,³³ the Chinese Government has been obliged to provide ways and means of increasing the production of military supplies in order to meet the demands of the war. All such expenses are beyond what is provided by the budget, and the Chinese Government is compelled to further increase its note issue in order to meet the situation. For these reasons there has been constant tendency toward inflation. In order to remedy the situation and to stabilize the price of commodities, it is necessary to adopt measures having the effect of checking inflation. Through increased taxation and other means, the Government has withdrawn a certain portion of the notes in circulation, but there is still by far the larger portion in the hands of the people which is being used toward the purchase and accumulation of commodities, resulting in the further rising of prices and in making livelihood increasingly difficult.

The chief purpose for the proposed purchase and sale of gold is to withdraw large quantities of notes now in circulation. The fact that each ounce of gold is worth now about 8,000 yuan shows the psychology of Chinese people toward gold. To obtain the desired result, it is only necessary for the time being to have bullion which can be handled easily. However, the question of coinage is being given careful study and can be best taken up at the time of reorganization of Chinese currency.

According to Madame Chiang, the proposal which we are making—that is, the purchase of 200,000,000 dollars' worth of gold with the United States loan—has received the approval of President Roosevelt and Secretary Morgenthau in principle. It is earnestly hoped that it can be realized at an early date. We always appreciate and welcome suggestions and advices from Secretary Morgenthau and Dr. White, but in this particular case we are influenced by actual conditions in China, and we feel that it has to be done in the way we suggested in order to reap the desired benefits. It is earnestly hoped that we shall not lose this good opportunity of checking inflation.

893.506/45a : Telegram

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

WASHINGTON, July 12, 1943—5 p. m.

889. The Department learns from a reliable source that influential Chinese Government banking interests are organizing a large Chinese

³³ Approved March 11, 1941; 55 Stat. 31.

insurance company capitalized at yuan 10 million with possibly some American participation therein, which appears to be of a monopolistic nature.

The Department would be interested in receiving full particulars regarding this matter and desires to be kept currently informed.

HULL

893.51/7700 : Telegram

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

CHUNGKING, July 14, 1943—1 p. m.

[Received July 24—2:45 p. m.]

1184. I have been informed in confidence by an official of Cabinet rank that the average monthly rate of currency expansion for the current year (which in China closely reflects the rate of inflation) has reached over 3 billion Chinese dollars, that is, expansion is now at the rate of approximately 40 billion Chinese dollars per annum as compared with an average monthly rate of a million [*billion?*] and a half or slightly over 19 billion dollars annually for 1942. This represents an increase of some 50 percent and exceeds the budget estimate of 1943 of 36 odd billion dollars expenditure.

If the 1943 estimate of receipts of 23 odd billion dollars were correct, the increase in note issue should more than cover the budgetary deficit even with the continuing general rate of the rise in costs of materials, food and services of approximately 10 percent a month. However, according to several sources, the revenues for this year will not exceed 15 billion dollars and while the preliminary budget estimate for the 1944 calendar year contemplates no greater revenues the estimated expenditures will possibly be about double those for 1943 or some 73 billion dollars. The gap between revenues and expenditures in 1944 may accordingly be expected to increase by 200%. Incidentally Kunming reported that during May and June NB bank notes having a face value of \$5,001,200,000. [and?] \$4,424,000 respectively were imported into China.

ATCHESON

893.5151/046

The Secretary of the Treasury (Morgenthau) to the Secretary of State

WASHINGTON, July 15, 1943.

MY DEAR CORDELL: I am enclosing herewith, for your information, a copy of a memorandum I have presented to the President dealing

with the Chinese request to purchase \$200 million of gold out of the \$500 million financial aid as a means of helping to check inflation in China.

I am also enclosing a copy of cable, dated July 14, 1943, dealing with this matter sent to the Treasury representative in China through your Department.³⁴

Sincerely,

H. MORGENTHAU, JR.

[Enclosure]

Memorandum by the Secretary of the Treasury (Morgenthau) to President Roosevelt

On July 14, 1943, we sent a message to Dr. H. H. Kung, the Chinese Minister of Finance, informing him that the Treasury is prepared in principle to agree to the Chinese request to purchase \$200 million of gold out of the \$500 million financial aid as a means of helping to check inflation in China. Dr. Kung was also informed that a formal request was, of course, necessary before any definitive decision and action could be taken.

The Chinese government has already drawn on the Treasury to the extent of \$240 million out of the \$500 million financial aid:—\$200 million has been set aside as backing for Chinese Government savings certificates and bond issues; \$20 million was used to purchase gold, and \$20 million is being used for the printing of banknotes and the purchase of relative materials. The purchase of gold with an additional \$200 million will mean that in total the Chinese will have used \$440 million out of the \$500 million financial aid.

In the message to Dr. Kung, as well as in discussions with the representatives of the Chinese Government in Washington, it has been made clear that the Treasury is acquiescing to the Chinese proposal because the Government of China deems that the sale of gold to the public will aid its war effort by helping to fight inflation and hoarding and that, therefore, the decision to purchase the gold is primarily the responsibility of the Chinese Government. Furthermore, the Chinese have been urged to give careful consideration to the best ways of using the gold, particularly because of the great costs, difficulties and dangers inherent in the use of gold as a means of checking inflation under conditions existing in China at present. We especially stressed the fact that the Chinese Government will by this step be sacrificing large amounts of foreign exchange, which could be used in the post-war period to pay for imports needed for reconstruction and rehabilitation.

³⁴ See telegram No. 911, July 16, 9 p. m., to the Chargé in China, p. 428.

The use of gold coins as against bullion for the purpose was carefully considered. It was felt both by us and by the Chinese Government that this technique for selling the gold to the public would not be feasible in the present instance, primarily because it would be necessary to give the gold coins a fixed monetary value, while it is contemplated that the price of gold in terms of yuan will change frequently and substantially as time goes on.

The suggestion was therefore made to the Chinese representatives in Washington that the gold might be sold to the public in China in small bars of one or two ounces in order to reach the widest possible section of the Chinese public and such bars might have some engraving which might suggest the United States origin of the financial aid, if the Government of China so wished.

H. MORGENTHAU, JR.

893.51/7698 : Telegram

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

CHUNGKING, July 16, 1943—1 p. m.

[Received July 19—1 : 30 p. m.]

1200. TF-138. To Secretary of Treasury only from Adler. Department's 658, May 24.

1. Dr. Kung has asked me to transmit the following alternative plan to you for your consideration.

a. Remittances to persons in enemy occupied areas in China including airmail telegraphic transfers are to be permitted through the Bank of China in Chungking from the Bank of China in New York as designated agents of Central Bank of China.

b. These remittances would be governed by the procedure set forth in General License 75. The Central Bank of China as the appointed agent of the National Government of China is to be responsible for a review of each remittance in Chungking and would decide as to whether it was desirable for the beneficiaries to receive such funds. The Chinese Government through its appointed agent the Central Bank of China or such other agent or agents as it may see fit to appoint from time to time would exercise care to make certain that the remittances would not benefit the enemy forces.

c. As in Treasury plan.

d. The Central Bank of China will consider appointing the Hong Kong Bank as an agent to effect remittances as noted in paragraphs *a* and *b* if and when the Hong Kong Bank applies directly to the Central Bank."

2. It will be noted that the main difference between Dr. Kung's plan and the Treasury plan is that the former puts Central Bank in center

of picture and emphasizes its role as appointed agent of Chinese Government. This is in line with previously reported current trend towards strengthening Central Bank.

3. In view of fact that Board members were aware that Dr. Kung had already expressed his views on the plan, when it came up for discussion at last Board meeting Chinese members abstained from making comment on the plan. They would not commit themselves to anything more than statement that Board "takes note" of plan. For your information, previously in private conversations Chairman indicated general approval of Treasury plan while Pei³⁶ made recommendation that Board be appointed reviewing agent, Bank of China to make its facilities available to Board in so far as necessary. Perhaps satisfactory solution would be to adhere to substance of Treasury plan adding provision that Board be reviewing agent while giving some face to Central Bank by mentioning it in one or two places.

4. Delay in answering your cable due to fact that in view doubt surrounding Board's future chairman deferred calling meeting of Board for over 1 month. [Adler.]

ATCHESON

893.515/1555a : Telegram

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

WASHINGTON, July 16, 1943—9 p. m.

911. For Adler from Secretary of the Treasury. The following is a message for transmittal to Dr. Kung:

1. The proposal of the Government of China to use \$200 million out of the \$500 million financial aid to purchase gold to be sent to China for sale to the public as a means of helping to check inflation has been considered by the Treasury.

2. The Treasury presumes that the Government of China has taken fully into consideration the costs, difficulties and dangers inherent in the use of gold as a means of checking the present inflation in China.

3. The Treasury is prepared in principle to agree to the proposal of the Government of China, since the latter deems that the sale of gold to the public will aid its war effort by helping to achieve greater monetary stability. It will be necessary, of course, for the Treasury to have a formal request from you before any definitive decision and action can be taken. [Morgenthau.]

HULL

³⁶ Tsuyee Pei, member of Board and general manager of Bank of China.

893.5151/945 : Telegram

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

CHUNGKING, July 17, 1943—1 p. m.

[Received July 21—3: 58 p. m.]

1209. TF-141. From Adler to Secretary of Treasury only. State Department's 882, July 9,⁸⁷ part II.

Section I:

A. The institution of an effective scheme for this use of gold in China—with adequate controls—would undoubtedly have beneficial effects in checking inflation. It is clear that if the scheme is to yield significant advantages the gold would have to be sold in China at a price or prices never falling below approximately CN dollars 5000 per oz. At the same time it is impossible on the basis of existing information to make even a rough estimate:

1. Of the scale on which the Chinese public would absorb gold at price or prices which would make the project worthwhile from the point of view of combatting inflation; it is tentatively suggested that it would not be worthwhile selling gold at less than say seven to ten times what the price would be at U. S. dollars 35 per oz. converted at the official rate of exchange;

2. Of therefore how far the current prices of gold (see D [B?], 2 below) would fall under the impact of substantial imports of gold.

It follows that a rational scheme for selling gold in China would necessarily be experimental in its initial stages.

For this reason and in order to enhance the chances that maximum advantages accrue to China, I would suggest that the Treasury before agreeing in principle and certainly before making any specific commitment to sell sizeable amounts of gold to China wait until the Chinese Government submits a concrete plan to the Treasury. From the information available here it appears that no such plan has as yet been worked out by the Chinese authorities. Perhaps it would be possible for the Treasury discreetly to ask the Chinese Government what its plans are specifically.

B. 1. Your B, 1. My impression is that it is somewhat vaguely contemplated that the gold would be sold to the banks and bullion dealers as well as to the public.

(a) From the point of view of obtaining the maximum anti-inflationary effects, it would be desirable to prohibit the Government banks from buying gold except as intermediaries for its resale to the public, for the Central Bank could expand the note issue for the

⁸⁷ *Post*, p. 461.

specific purpose of acquiring gold which would defeat the whole point of the sale of gold to China, while the other Government banks could use their facilities for borrowing from the Central Bank in order to acquire gold, a process which would also lead to the Central Bank's increasing its note issue. It is probable that the Chinese Government would be reluctant to adopt a measure prohibiting all Government banks from buying gold to hold, especially in view of the current trend first to strengthen all Government banks vis-à-vis commercial and private banks and second to strengthen the Central Bank vis-à-vis the other Government banks. While the Government banks could circumvent the prohibition by having private agents buy the gold for them such a prohibition might to some extent serve as a deterrent.

(b) The above objection does not apply to the sale of gold to modern style commercial banks and native style private banks or to the bullion dealers and *a fortiori* to the sale of gold to the public.

[2?] Your B, 2. It would be impossible to adopt watertight controls to prevent any of the gold from reaching Jap hands. However, such leakage could be kept to fairly low levels given the wholehearted cooperation of the Central Government special service and of the various provincial government authorities though it is doubtful how far such wholehearted cooperation would be forthcoming, especially from such provincial governments as that of Yunnan. An additional suggested check is the registration of all purchasers but this would tend to discourage prospective purchasers who would be afraid that the authorities might subsequently use the information in the registration records to extract the gold from them on terms advantageous to the authorities and disadvantageous to themselves.

For your information: (a) I am reliably informed that small amounts of gold have recently been smuggled from India to Yunnan and then into Indochina. (b) There is a report current that Chinese in Shanghai have recently sent an agent or agents into Free China with CN dollars 25,000,000 with which to purchase US dollar backed savings certificates.

3. Re your B, 3. Again there is no clear view here as to whether gold should be minted into gold coins or sold in form of gold bars. It would appear that the latter course would be preferable in view of the difficulties of giving gold coins a fixed CN dollar value and in view of danger arising from probability that coins would be in smaller denomination than bars and that coins would tend to displace *fapi* as a medium of circulation and exchange.

It would be most appropriate if there were imprinted on the gold coins or bars some indication that they constituted part of U.S. financial aid to China.

Section II:

A. In view of the fact that a satisfactory scheme would be experimental in its first stages and in view of the need for checks and safeguards I would like to submit the following for your consideration.

1. The Treasury if and when it decided to agree in principle to sell gold to China might suggest that Chinese Government make a beginning by selling the 48,000 ounces of gold now in possession of the Central Bank plus such other amounts of gold as Government has acquired from current production (see D, 3, below ^{37a}).

2. While the gold now in China was being sold, the Treasury might agree to sell say U. S. dollars 10,000,000 of gold to Chinese Government and [then wait?] and see how the sale of this gold was going in China before making any further sale of gold to the Chinese Government. To save transportation expenses, it would be desirable to make a swap with preferably the Indian authorities and alternatively the South African or Australian authorities whereby the gold would be sent to China from either India or South Africa or Australia and the same amount would be placed in earmark for the sender with Federal Reserve Bank of New York.

3. It might be possible and it certainly would be desirable from the point of view of China's interests to tie up Board with any arrangement for sale of gold in China and give Board power to fix price or prices of gold and to exercise some supervision over its sale. It will be recalled that paragraph 1 (c) of 1941 agreement gives the Board power to deal in gold for account of the fund; perhaps this power could be broadened to enable Board to exercise above functions in any revision of 1941 agreement.

The advantages of bringing the Board into the picture are obvious as the Board's participation would increase the chances of success of any scheme that is worked out and curtail abuses. If Chinese Government objected to the Board's participation in any plan for selling gold in China on the grounds that the sale of gold had nothing to do with the British member, perhaps this objection could be overcome by having a committee of the Board consisting of the Chinese member and the American representative function for this purpose.

Section III:

I have been collecting all available information on gold market in China but it is scanty and does not throw light on main question how much can be absorbed at a price or prices which would make the project worthwhile. Any further data that can be obtained will of course be transmitted. The following is a summary of the main items of interest.

^{37a} Reference may be to section III, B, p. 432.

1. Gold markets exist in Chungking, Kunming, Chengtu, Kweilin, Kweiyang and Sian.

2. The current "agreed" price of gold in Chungking is CN dollars 11,500 buying, CN 13,000 selling per *sueiliang* or Chinese oz. (which equals 1.00471 oz. troy). The price of gold in Kunming is about the same as in Chungking while in Kweilin it is lower. In Chengtu it is now CN 12,000 buying and CN 15,200 selling per Chinese oz. There has consequently been a drain of gold from centers to Chengtu.

It can be safely assumed that the price of gold in Free China will continue to rise concomitantly with rising prices, unless and until either news leaks out of the impending import of sizeable amounts of gold or gold is actually imported for sale.

According to recent reports from Shanghai, the Japs have lately relaxed their control of the Shanghai gold market which has consequently become more active. The price of gold at Shanghai is CRB dollars 6500 per Chinese oz. The CRB dollar was last reported to be exchanging for CN dollars 1.4 in Shanghai.

3. There are no estimates available on the amount of gold that is traded in Free China, but it is quite small absolutely and negligible in comparison to the amounts China contemplates purchasing; nor are there any estimates on the actual supply of gold in Free China.

A. The gold that has gone into the markets comes from private hoards of gold bars and jewelry and from what can be smuggled from current production. There has also been some smuggled from India.

B. According to an article by the head of the Chinese Geological Survey published in December 1942 in the magazine *Mining and Metallurgy*, a translation of which is being forwarded by pouch,^{37b} the gold production of Sikang, Szechwan, Kwangsi, Kweichow and Yunnan rose from 39,200 Chinese ozs. in 1935 to 68,200 in 1939. In addition gold is purchased in Hunan, Kiangsi, Fukien, Hupeh, and the northwestern provinces. The author states that as a result of Government efforts to encourage gold production after 1937, annual gold production was reported to have reached 300,000 Chinese ozs. in 1939 and 1940, but does not indicate whether this figure includes the production of Shanghai and Sinkiang where control of gold supply was and has remained the exclusive monopoly of the provincial governments. Since the outbreak of the Pacific war gold production has fallen off as a result of the maintenance of the official price of gold while all other prices were rising, but—the author suggests—with the lifting of the old official price annual production might again reach 300,000 Chinese oz.

According to the same source, the Government banks have bought about 1,000,000 oz. of Chinese gold in the last few years which he

^{37b} Not printed.

assumes to be at the Government's disposal in China now. This assumption, however, is contrary to the statements of a number of responsible officials according to which the only gold now at the Government's disposal is the 48,000 oz. in the Central Banking Division. According to these officials, the remainder of the gold was transported prior to the outbreak of the Pacific War, and little or none has since been purchased by the Government.

C. For your information I learn from a reliable source that Dr. Kung feels quite confident that the Treasury will sell large amounts of gold to China and that the basis of his confidence is that the President is purported to have given his consent to Mme. Chiang Kai-shek when she submitted the proposal to him that China purchase large amounts of gold from the United States. [Adler.]

ATCHESON

893.51/7685 : Telegram

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

WASHINGTON, July 20, 1943—1 p. m.

925. For Adler from the Secretary of the Treasury. Your cable of March 28, 1943, No. TF-103.⁸³

1. Treasury has received a number of applications to release U. S. dollar proceeds of U. S. dollar-backed savings certificates. Some of the applications would involve transfer of funds to London.

2. The Treasury would, therefore, appreciate receiving a definite reply to its cable of March 5, 1943, No. 300. Treasury is holding up these applications and no action has been taken with regard to them. [Morgenthau.]

HULL

102.1/8736 : Telegram

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

WASHINGTON, July 21, 1943—2 p. m.

933. From the Secretary of the Treasury for Adler.

1. The Treasury has received reports that large scale counterfeiting of Chinese currency is being practiced by the Japanese.

2. If there is confirmation for these reports has this counterfeiting so far had any observable consequences, and what has the Chinese Government done to cope with the situation ?

⁸³ Telegram No. 465, 10 p. m., p. 417.

3. Any views or information you may have concerning this matter would be appreciated by the Treasury Department. [Morgenthau.]

HULL

893.5151/948 : Telegram

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

CHUNGKING, July 22, 1943—8 p. m.

[Received July 23—noon.]

1260. TF-142 from Adler to Secretary of Treasury only.

1. Regarding your 911 of July 16. Transmitted your message to Dr. Kung on 21st; he indicated that he had already sent a formal request to you.

2. Regarding your 882, of July 9,³⁹ part II, and my TF-141 of July 17.⁴⁰

a. Dr. T. F. Tsiang of Executive Yuan in informal conversation with me on 20th indicated that while a few high government officials regarded sale of gold in China as a panacea, in better informed government circles it was tentatively estimated that about 1 million oz. gold could be sold at roughly CN dollars 8,000 per oz. which would yield enough to cover approximately one fourth of probable deficit for 1943. Dr. Tsiang felt that in absence of definite knowledge as to scale on which gold will be absorbed at worth while prices sale of gold should be begun experimentally and that if experiment is unsuccessful it should be scrapped.

b. Since Central Government annuled its prohibition of free trading in gold, Shanghai bullion dealers have been coming into Free China to set up business. They constitute majority of the 30 to 40 bullion dealers in Chungking.

3. It is suggested that Treasury mark messages of relative urgency "priority" as your messages take an average of not less than 4 days to reach me. Delay in your receipt of my TF-141 due to bad local transmitting conditions. [Adler.]

ATCHESON

893.01/954 : Telegram

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

CHUNGKING, July 23, 1943—8 p. m.

[Received July 24—2:05 p. m.]

1270. For Department and Treasury only. 1. At the risk of giving matter more emphasis than it perhaps merits at present, we report that

³⁹ *Post*, p. 461.

⁴⁰ Telegram No. 1209, p. 429

there appear to be mounting evidence that not only is smuggling and trade at points between occupied and unoccupied China expanding but that commercial intercourse by Chinese travelers who proceed at will between main centers of the two areas such as Shanghai and Chungking is on the increase. It is reliably reported that frequently some of these persons use Japanese official facilities such as Japanese military planes from Shanghai to Canton for part of their journey in this direction. The informant⁴¹ mentioned in Embassy's 1139, July 9, 5 p. m.⁴² [has?] Japanese pass which enables him to travel the route he mentioned in occupied territory without search or any molestation other than an occasional request that he show his pass. (The statement mentioned in Fowler's⁴³ [message?] contained in our 1149, July 10, 4 p. m.,⁴² that this informant brought with him to Chungking from Shanghai CN dollars 25,000,000 appears from a later conversation with him to have been not entirely accurate. He states that in recent months he and his associates in Shanghai have forwarded varying amounts totaling that sum for the purchase of United States currency savings certificates and that the certificates were actually purchased and in due course delivered in Shanghai.)

From what he has told us and from other sources it appears that organized trade in small bundles ("imports" into Free China consisting chiefly of so-called luxury goods) as carried on over the Lung-hai route with regular stations along the way at which payment is made, that a lively exchange business has grown up at these points. Trade is carried on even in currency; he states that he brought with him 1 million dollars in CRB notes which he disposed of at the rate of 1.06 to 1. According to a leading informed banker here, the more "regular" trade in goods over the Lung-hai route alone amounts to some CN 30 million per month. There is not available any estimate as to the value of the more sporadic trade and the extensive smuggling in other areas but it must amount to a figure several times that of the trade mentioned above.

2. According to the Consul at Kweilin⁴⁴ and to information said to have been received by American military officers from a Kweilin banker, there has reportedly organized a "semiofficial" company known as Yuhua Chuang, capitalized at CN 100 million, under the direction of General Tai Li, head of the principal Chinese Secret Service, to control and legalize trade between occupied and unoccupied areas in south and southeast China. We have been informed on good authority that some time ago Tai Li was requested in the highest places

⁴¹ A Chinese with confidential connections both at Chungking and at Shanghai.

⁴² Not printed.

⁴³ Walter W. Fowler, Board of Economic Warfare representative.

⁴⁴ Arthur R. Ringwalt.

to organize a company for the purpose of bringing under control smuggling operations and the profits therefrom; we know definitely that Tai Li is operating transportation companies in areas close to occupied China.

3. The Consul at Kweilin also reports that Japanese agents in recent weeks have introduced into unoccupied China large sums in counterfeit Bank of China notes printed from plates belonging to the former Chunghua Book Company at Hong Kong. This report has been confirmed by authoritative sources.

The Consul cites further reports at Kweilin that the counterfeit notes brought into unoccupied China total 10 billion dollars (an amount which seems to us fantastic and which should probably be reduced to say 100 million); that they entered China through Kwangchow; and that with them the Japanese are purchasing strategic materials in Free China at many times the market prices and are in general accelerating economic deterioration in unoccupied China. The Consul states also that, according to a Chinese banker in a position to know, the Kweilin branch of the Bank of China has received orders from its head office to accept the bogus notes even [when?] they may be conclusively identified as counterfeit.

The Chunghua Book Company previously manufactured bank notes for the Central Government. We are authoritatively informed that at the time of the capture of Hong Kong there fell into Japanese hands not only the plates but a large number of bank notes bearing serial numbers but no "chop" and also large number of notes that were completed except for serial numbers and chops; and that there are now in circulation three categories of these counterfeits: (a) bearing proper serial numbers with counterfeit chop; (b) bearing correct serial numbers and counterfeit chop; and (c) newly printed by the Japanese from the plates. It is believed that the notes being accepted by the Bank of China are those of first and possibly second category and that acceptance is for the purpose of taking them out of circulation. According to one report, notes of the second category are being purchased by Chinese Government bankers at half of their value.

4. The economic and political implications of the above, especially paragraphs 1 and 2, are in general in line with paragraph 4 of our 803, May 28, 4 p.m.⁴⁶ As regards the current question of the free sale of gold, certain implications are obvious. One political implication for the future may well be that with the expansion of regularized trade secret or otherwise between occupied and Free China there will develop progressively a significant measure of cooperation between officials and others in the respective areas. This may of course turn out to be of temporary benefit to the Central Government when and

⁴⁶ *Ante*, p. 57.

if the time comes for the puppets to divert their nominal allegiance from the Japanese to the Central Government. On the other hand, such development will probably also entail taking back into the fold of Quislings, etc., with the corollary establishment of the latter's factions and of influence in political as well as commercial affairs.

It is of interest that the informant mentioned in paragraph 1 states that one of his missions here is to obtain from highest quarters a promise of "forgiveness" for certain puppets and that two of his closest personal friends are Chen Kung-po, Mayor of Greater Shanghai and one time Secretary to Sun Yat-sen, and Chou Fu-hai, Finance Minister in the Nanking régime. It is possibly of interest that P. N. Chung who prior to the capture of Hong Kong was H. H. Kung's principal agent there and who was subsequently taken to Shanghai by the Japanese is reliably reported to be on his way to Chungking, apparently without Japanese hindrance.

Adler has seen this telegram.

ATCHESON

893.51/7669½

*The Chinese Ambassador (Wei) to the Secretary of the Treasury
(Morgenthau)*⁴⁷

WASHINGTON, July 24, 1943.

MY DEAR MR. SECRETARY: I have the honor to inform you that I have just received from Dr. H. H. Kung, Minister of Finance, the following telegraphic message, dated July 23, 1943, for transmission to you:

"The Chinese Government greatly appreciates the financial aid accorded to China by the U. S. \$500,000,000 credit of last year. Of this credit U. S. \$240,000,000 have been allocated for special purposes. In order to strengthen China's monetary situation and check inflation, which are included in the objects for which the credit was established, the Chinese Government now requests the transfer of an additional sum of U. S. \$200,000,000 from the credit for the purchase of gold. It is intended to transport the gold to China to be sold in order to withdraw currency from circulation and thus help to check the price increase. Prolongation of the war in China into the seventh year brings constantly growing strain and difficulty, and the Chinese Government will greatly appreciate your kindly acceding to this request. I have authorized Dr. P. W. Kuo and Mr. Hsi Te-mou to discuss with you the detailed arrangements."

I am [etc.]

WEI TAO-MING

⁴⁷ Forwarded on August 5 by E. M. Bernstein of the Division of Monetary Research, Treasury Department, to Troy L. Perkins of the Division of Far Eastern Affairs.

893.5017/132 : Telegram

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

CHUNGKING, July 25, 1943—noon.

[Received July 25—11:15 a. m.]

1294. As an example of the uncertainties and sometimes suddenly disruptive aspects of the present inflationary process, it is reliably reported that the prices of staple foods at Chengtu are now increasing at the approximate rate of 10 percent per week. On July 6 the price of rice was double that of June 1, of flour almost double, of vegetable oil over one and one half times, of pork over one third as much. The cost of living index (1937 equals 1) in July 1942 was 34.7, in January 1934 was 44.1, on June 7, 1943 was 96.3, on July 5, 150.6 and on July 12 was 164.7. (See first paragraph of Adler's message to Treasury in our 1263, July 23⁴⁸).

While the causes of the recent sudden extraordinary increases are varied and complex, an important circumstance is that the application of repressive measures to control prices in Chungking where the Generalissimo takes personal interest in endeavoring to enforce them has driven many speculators in commodities from the provisional capital to Chengtu and other interior places.

One possibly serious political aspect of the situation at Chengtu is that it is not at all unlikely that there may result a recrudescence of disturbances in revolt against Central Government authority there.

ATCHESON

893.506/47 : Airgram

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

CHUNGKING, July 31, 1943—1 p. m.

[Received August 20—5 p. m.]

A-21. Department's telegram no. 889, July 12, 5 p. m.

Responsible official Finance Ministry states insurance project still vague. Proposal jointly drawn up by Office of Four Government Banks and Central Trust is for company with CN \$60 million capital to take over insurance department of Central Trust and possibly other insurance companies in which Government has an interest. Proposed company would handle war risk insurance and might be given monopoly of reinsurance on Government property but would not handle reinsurance on private property. Capital would be subscribed by Central Trust and Government banks with possibly some national treasury participation. American participation not sug-

⁴⁸ Not printed.

gested and seems most unlikely. Impossible to say yet whether project will materialize or in what form.

Officers of local insurance companies suspect project is one for monopoly of all reinsurance, though they have no information as to details.

Project was reported in May political report,⁴⁹ economic section, sub-section 1-b-4, 2d paragraph. Department will be kept informed of developments.

ATCHESON

893.515/1556a : Telegram

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

WASHINGTON, July 31, 1943—midnight.

1005. For Adler from the Secretary of the Treasury. Substantially the following message has been transmitted to Dr. Kung through Ambassador Wei Tao-ming, in reply to formal request from Dr. Kung⁵⁰ that \$200 million be transferred from the credit of the Government of China on the books of the Treasury to be used for the purchase of gold:

“The Chinese Government’s request which Ambassador Wei Tao-ming has transmitted to me that \$200 million be made available for the purchase of gold out of the credit on the books of the Treasury in the name of the Government of the Republic of China is agreed to by the Treasury.

“It is suggested that in order to avoid unnecessary raising of funds by the United States Treasury, transfers from the aforesaid credit of the Chinese Government for the purpose of purchasing gold be made in such amounts and at such times as existing facilities allow transportation of the equivalent amount of gold to China. This procedure should not interfere with the program outlined in your message of July 23, 1943, as it is the intention that this gold will be sent to China for sale to the public.

“When requests are received from the Government of China to transfer from the credit of the Government of China on the books of the Treasury a specific amount to be used for the purchase of gold, the action necessary to consummate these requests will be taken. Discussion of the details of the arrangements will be had with Mr. Hsi Te-mou and Dr. P. W. Kuo.”

[Morgenthau]

HULL

⁴⁹ Despatch No. 1255, June 12, not printed.

⁵⁰ See substance of cablegram received from Dr. H. H. Kung, July 8, p. 423, and letter from the Chinese Ambassador, July 24, p. 437.

893.5151/953 : Telegram

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

CHUNGKING, August 2, 1943—9 p. m.

[Received August 2—4:58 p. m.]

1354. For Secretary of the Treasury from Adler. TF-145. Re your 993 [933] July 21.

1. For background information on Japs acquiring, confiscating, tampering with and using *fapi*, see Embassy's 1270, July 23, and 1337, July 30,⁵¹ copies of which were sent to Treasury. In connection with the former: (a) I specifically asked Dr. Kung, K. K. Kwok⁵² and local manager of Bank of China about rumor of Japs putting forged CN dollars 10 billion into circulation, and all replied story was utterly inaccurate. (b) Local manager of Bank of China who was in Hong Kong when it fell informs me that Bank of China's copper plates and new notes with the Chung Hua book coin, Hong Kong, had been destroyed during siege but that he had heard that new notes printed for Bank of Communications had fallen into Jap hands. In connection with the latter, according to the same source the counterfeiting of *fapi* by the Japs is not systematically organized but carried on by individuals as a private racket.

2. When I saw Dr. Kung on the 29th I asked him about the reports of Jap counterfeiting and the counter measures his Government was adopting. He replied that the amounts of forged *fapi* notes found in Free China was comparatively small totalling not more than about CN dollars 10 million. He added that Japs have counterfeited BS dollars, Hong Kong dollars and sterling as well as *fapi*, all of which they have tried to dispose of in occupied territory. The Government had adopted stringent countermeasures, confiscating all counterfeit notes and meting out severe punishment to large holders. Recently a group including soldiers were found trying to smuggle in CN dollars 1.7 million of forged notes and all were sentenced, the soldiers by military court.

3. On basis of available evidence, Japs have done much more damage to Chinese economy by buying goods in Free China with bona fide *fapi* they had acquired—at no cost to themselves in exchange for CRB dollars, FRB dollars, and military yen—or confiscated in occupied territory than they have by circulating bogus *fapi*. The Japs have used substantial amounts of bona fide *fapi* in this way and are reported to have CN 2 billion left. The consequences of such use of *fapi* are obvious, for the inflation is doubly aggravated by drain of goods from and increased supply of money in Free China. There is

⁵¹ Latter not printed.

⁵² General manager of the Central Bank of China.

no sign that Chinese Government is making any serious attempt to grapple with the problem fraught with political as well as economic implications of economic and financial intercourse between Free and occupied China. [Adler.]

ATCHESON

893.01/956: Airgram

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

CHUNGKING, August 4, 1943—9 a. m.

[Received August 20—5 p. m.]

A-28. Embassy's 1270, July 23, 8 p. m., paragraph 1.

1. A new and curious development along those lines, of which we have been informed by Admiral Yang, is that recently several of Yang's agents and several of those of General Tai Li in the Shanghai-Nanking area were tracked down and seized by the Japanese but, instead of executing these agents, the Japanese lectured them on political philosophy from the puppet point of view and sent them back to Free China to persuade their colleagues and superiors here that Japanese intentions toward Chinese were benevolent and that there was no use in continuing the state of hostilities between Chungking and Japanese-Nanking troops. Whether this incident is merely symptomatic of Japanese opportunism in attempting to further Japan's "soft policy" toward China or whether it has more far-reaching implications is an interesting matter for speculation.

Another instance of interest is the case of Wu K'ai-hsien, member of the CEC⁵³ and former head of the Chinese Secret Police in Shanghai who was seized by the Japanese in March 1942 and who arrived in Chungking May 7, 1943 (section A, 1, (7), Embassy's May political review—despatch no. 1255, June 12⁵⁴) with, according to some rumors, Japanese peace proposals. A number of sources state that Wu was flown from Shanghai to Hong Kong in a Japanese military or naval plane; it is generally accepted that he made his way from Hong Kong to Kweilin in unoccupied China; he flew from Kweilin to Chungking by CNAC plane and was met at the airfield by a number of Government officials. Subsequently he was feted to some extent but the welter of rumors about him reportedly soon caused him to go into retirement. He is now reported by several fairly reliable sources to have returned to Shanghai or Nanking.

2. With reference to paragraph 3 of our 1270 and to Adler's report for Treasury contained in our 1354, August 2, the Consul at Kweilin states that his informant in regard to the counterfeit notes was a Mr.

⁵³ Kuomintang Central Executive Committee.

⁵⁴ Not printed.

C. C. Chen, Kweilin manager of the Bank of China. While the latter does not have a good reputation, there would seem to be little point to his inventing such a story and telling it to the American Consul. Mr. Adler suggests that his own informant, general manager of the Central Bank, might, by stating that the counterfeit or mutilated notes in question are those of the Bank of Communications, be seeking to protect the employees of his bank and of the Bank of China at Hong Kong at the time of its capture who had responsibility for the Chung Hua Book Company's plates.

3. We concur in Mr. Adler's opinions as expressed in the 3d paragraph of his message contained in our 1354, August 2, referred to above.

ATCHESON

893.51/7704: Telegram

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

CHUNGKING, August 5, 1943—5 p. m.

[Received August 6—9:35 a. m.]

1390. To Secretary of the Treasury from Adler. TF-149. Department's 998, July 31, 6 p. m.⁵⁵ Dr. Kung this morning gave me his assurance that no private individual or institution shares in income of the [Stabilization] Board.

(2) Sale of United States dollar backed savings certificates ceased on August 3. Since July 1 about United States dollars 40,000,000 of certificates have been sold. It would appear that the heavy purchases in this period were made in anticipation of cessation of sale. [Adler.]

ATCHESON

893.51/7712

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Ballantine)*⁵⁶

[WASHINGTON,] August 5, 1943.

Subject: Sale of Gold to Chinese Government for Resale in China to Combat Inflation.

On July 13 Mr. Berle wrote to Mr. White,⁵⁷ Assistant to the Secretary of the Treasury, that the Department would give the above-captioned matter close study and would expect to communicate further with him in regard thereto at an early date.

⁵⁵ Not printed.

⁵⁶ Addressed to the Adviser on International Economic Affairs (Feis) and the Chief of the Financial Division (Livesey).

⁵⁷ Letter not printed; it acknowledged Mr. White's letter of July 10, p. 423.

FE has examined the correspondence on the matter and is impressed by the following points: (1) that the project if well administered has possibilities of helping to check inflation, and of being less wasteful of the American \$500,000,000 financial aid than the savings certificate project, (2) that the Chinese Government should be entitled to use proceeds of the \$500,000,000 loan as it sees fit, (3) that the Treasury has notified Dr. Kung that it agrees to the project, (4) that Dr. Kung seems to think that the President as well as Mr. Morgenthau has agreed to the scheme, (5) that the Chinese Government has formally requested the sale to it of \$200,000,000 of gold after having been told by the Treasury that great costs, difficulties, dangers, and sacrifices of foreign exchange are inherent in the project, and (6) that competent Chinese as well as Mr. Adler favor the initiation of the project on an experimental basis.

It has been noted that Mr. Adler believes that, with adequate controls, an effective scheme for the use of gold in China would undoubtedly have beneficial effects in checking inflation. Mr. Adler, however, does not appear to believe the Chinese have yet worked out any such scheme and he raises the question whether it would be possible for the Treasury discreetly to ask them just what their plan is. Mr. Adler has some apparently very good ideas on the subject, in particular, the desirability of prohibiting the government banks from buying gold except as intermediaries for resale to the public. Mr. Adler also makes what seems to us a valuable suggestion, namely, that the scheme be put in motion by the sale to the public of 48,000 oz. of gold now in the possession of the Central Bank, this gold to be replaced by a like sum from South Africa or Australia and the same amount to be earmarked for such shipment in the Federal Reserve Bank in New York.

In the light of conditions in China, FE agrees with Mr. Adler that it would be advisable for the Treasury discreetly to ask the Chinese to explain to us precisely how they plan to use the gold for combatting inflation and that the project should be begun experimentally.

With the foregoing points in mind, we have drafted a letter to Mr. White for Mr. Berle's signature.⁶⁸

J[OSEPH] W. B[ALLANTINE]

893.51/7712

Memorandum by the Chief of the Financial Division (Livesey)

[WASHINGTON,] August 6, 1943.

Mr. Berle is on leave and not due back until August 16. Otherwise, I think this letter would be all right to initial as a sequel to his letter

⁶⁸ Not sent; see memorandum by the Chief of the Financial Division (Livesey), August 6, *infra*.

of July 13 which stated that he expected to communicate further with Mr. White with regard to the entire matter at an early date. However, the actual content of the letter is very slight. The stated purpose of China in importing gold being to mop up surplus currency, the gold should not be sold to government banks which might finance the purchase by issuing additional paper currency. Similarly, the suggestion that the importation be stopped if it proves not to be working well, is fairly self-evident.

Without inquiry, I assume that these ideas have been mentioned by the Treasury in their conversations with the Chinese. How far the Treasury can go in emphasizing them is another matter.

If Adler's suggestion that no gold be sold at less than eight thousand Chinese National dollars per ounce is followed, we have Dr. Tsiang's estimate in Chungking's 1260⁵⁹ that the equivalent of \$35,000,000 American money in gold could be sold, leaving \$165,000,000 of gold which could be sold only at a lower price. China may not work to Adler's minimum price specification, or Tsiang's estimate may be wrong.

With Messrs. Berle and White away I think the Dept. might forego written comment to the Treasury on this matter.

F[REDERICK] L[IVESEY]

893.50/319 : Telegram

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

WASHINGTON, August 21, 1943—4 p. m.

1165. With reference to paragraph 3 of Embassy's 1487, August 17, 10 a. m.,⁶⁰ please ask Adler discreetly to ascertain if possible character of purchasers of recent large sale of certificates (that is, whether the distribution was fairly general among the public or whether the purchases were made in high official and business circles and by banks) and to give his opinion regarding the possibility that knowledge of proposition which was subject of Department's 1005, July 31, might not have influenced the purchasing.

WELLES

893.51/7709

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

No. 1529

CHUNGKING, August 31, 1943.

[Received September 18.]

SIR: I have the honor to refer to the Embassy's telegram no. 1184, July 14, 1 p. m., in regard to the rate of currency expansion (which

⁵⁹ July 22, 8 p. m., p. 434.

⁶⁰ Not printed.

in China closely approximates the rate of inflation), and to enclose, for the Department's information, a copy of a report dated June 24, 1943⁶¹ submitted to the Ministry of Finance by Dr. Arthur N. Young, American adviser to that Ministry, which was furnished us by Dr. Young in strict confidence. While the report was written two months ago, the observations which Dr. Young makes in it are as applicable now as then, especially as the economic deterioration in China has continued to progress at about the same rate as that of the time at which the report was written.

Dr. Young points out that the financial and economic situation in China continues to worsen; that while at the time of writing there was no apparent tendency for the general rate of price increase to grow, in some areas the rate had lately increased under influence of bad crops or other adverse events; that the steady rise averaging 7 or 8% monthly was inexorable and that the average of retail prices was close to one hundred times the pre-1937 level (a figure applicable to Chungking but not, for example, to Kunming where the average rate has reportedly reached almost two hundred times the pre-1937 level).

Included in the report is a table showing the upward course in China compared with that in Austria from 1914 to 1923 and showing that so far the pattern has been similar except that in 1943 the level in China had risen in seven years to a greater height (9,680%) than after seven years of inflation in Austria (5,552%) and that in the next three years in Austria the level rose to 1,743,000%. Dr. Young does not predict a similarly fantastic acceleration in China during the next three years (he states that continuation of the recent trend will lead to a doubling about every 8 or 10 months). In this connection it may be mentioned that economic and financial experts seem in general to be in agreement that inflation of itself will not result in economic collapse in the near future because of the circumstance that the great majority of China's population is agricultural and lives off the land. In this sense the British Embassy's statement (Department's instruction no. 351, July 27, 1943⁶²) that the present situation in China seems "to depend more on crop prospects than on anything else" is correct—provided other imponderable factors remain more or less as they are.

Dr. Young considers that the determining factors as regards the future are: the extent of the Government's deficit; the state of confidence which largely depends upon the military situation especially in and adjoining China; and the crops.

Dr. Young mentions among the results of the price increase: insidious undermining of China's governmental structure; impairment

⁶¹ Not printed.

⁶² Not printed, but see despatch No. 9973, July 6, from the Ambassador in the United Kingdom, p. 70.

of the war effort; weakening of the internal position of the Government; and serious adverse effects upon the prospect for political and economic construction. He mentions that many of the Chinese troops are undernourished and lack stamina and reserve strength for serious fighting; that military officers are tempted to engage in trade and other gainful activities, to collect money upon the movement of goods, and to "squeeze" the troops under them; that many civil employees suffer malnutrition with resultant reduced efficiency; that many good Government employees are resigning; that concurrent posts are being multiplied; that employees indulge in partial absence from duty in order to engage in outside gainful activities; and that in many cases there is recourse to corrupt practices.

Beginning on page 3 of his report Dr. Young makes a number of suggestions for remedial action, especially in the field of government including the military service. These suggestions would seem to be largely of academic interest only, as there does not appear to be any prospect that they will be carried into effect.⁶³

Respectfully yours,

GEORGE ATCHESON, JR.

893.50/331 : Telegram

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

CHUNGKING, September 5, 1943—9 a. m.

[Received September 6—9:41 a. m.]

1639. Department's 1165, August 21, 4 p. m. Adler left for India before he had opportunity to make desired inquiries. From what we have been able to learn from several well-informed banking and other sources, approximately 50% of the purchases were by private individuals (we have heard of one individual \$1,000,000 purchase) and very little purchase by Government banks because of their strict instruction not to purchase certificates for speculative purposes. Two reasons are given by our informants for the recent large sale: that it became known that the Government intended to stop sales and that it was rumored at that time that the Chinese-U. S. dollar rate was to be changed to 30 to 1.

ATCHESON

⁶³ In a memorandum dated October 7, Troy L. Perkins of the Division of Far Eastern Affairs observed: "Dr. Young makes a number of sensible suggestions to remedy the situation, most of which have been made before and, as the Embassy indicates in its comment, are not likely to be followed. Most of the suggested reforms are not impractical even under the present war conditions: postponement of long-range public works which do not contribute to the war effort, economies in civil government, rationalization of the tax system, and removal of onerous restrictions on the movement of goods. Remedial action related to the Army would probably be more difficult to carry out, although equally simple measures in this direction would benefit the economic situation enormously."

893.51/7708 : Telegram

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

CHUNGKING, September 17, 1943.

[Received September 17—1:27 p. m.]

1743. Central News Agency in referring to resolution adopted by CEC session September 11 on program for intensification of price control states that "arrangements have been made with the United States for the purchase of United States \$200,000,000 worth of gold." In the resolution appears a statement that "the United States has promised to lend to China a large quantity of gold."

Government spokesman at press conference September 15 as reported by Central News Agency stated that Chinese Government has proposed to use US \$200,000,000 from balance of US \$500,000,000 credit extended by American Government to buy gold bullion to combat inflation in China. Spokesman also said that Chinese Government has decided to revise stabilization agreement and is negotiating with U. S. Government at Washington.

ATCHESON

893.515/1559

Memorandum by the Assistant Chief of the Division of Far Eastern Affairs (Vincent)

[WASHINGTON,] September 17, 1943.

GOLD COINS FOR CHINA

In connection with the two hundred million dollar gold sale to China, Mr. Friedman of the Treasury Department telephoned to inform me that Treasury was proposing to mint approximately \$10,000,000 (US) of the gold into coins which he described as follows: Profile of Sun Yat-sen on one side; American eagle on the other. On the face with the American eagle would be the inscription "United States Mint", or words to that effect, and a statement of the gold content of the coin (one ounce). On the other face of the coin there would be Chinese characters giving the same information. Mr. Friedman said that the Chinese Government had not agreed to this proposal but that it was hoped that an agreement could be obtained in as much as the Government's original objection to coins was based on the fact that it would be necessary to state a value in terms of currency which the Chinese Government desired to avoid.

Mr. Friedman said that it was anticipated that these coins would circulate more widely than gold bars by furnishing the small investor with a savings or hoarding medium, thus widening the area of effectiveness in retarding inflation.

Mr. Friedman asked me whether I thought there would be any objection in the Department to the idea. I told him I thought it a good one and that I would speak to Mr. Hornbeck and Mr. Feis. Mr. Hornbeck approved and Mr. Feis interposed no objection. When Mr. Friedman called back I told him of the attitude of Mr. Hornbeck and Mr. Feis.

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

893.51/7713 : Telegram

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

CHUNGKING, September 25, 1943—11 a. m.

[Received 9 : 40 p. m.]

1800. A prominent informed Chinese banker tells us in confidence that Kung is now considering not selling to the public the gold to be received from the U. S. but retaining it in the possession of the Chinese Government to constitute a factor in stabilizing public confidence in the currency. The informant states his private opinion that in any case the sending of gold to China will not affect materially the continuing inflationary rise because, even if *fapi* in appreciable amounts is drawn in through its sale, the continuing budgetary deficiency is the primary cause of the inflationary spiral; that to make successful any program of sale of gold to the public it would be necessary to cut the bars into small pieces and probably to make them into ornaments such as rings in order to put gold within the reach of the majority of prospective individual purchasers; and that the Japs will offer a price higher than the Free China price and most of the gold sold will inevitably flow into the occupied areas and into Jap hands.

The informant said also that the only effect which the announced program in regard to gold had so far had is that some commodity prices have lowered in terms of gold but not in terms of the currency; and that it was his opinion that the only means of materially effecting the price situation would be, if that were possible, to announce that consumers goods, notably piece goods, were being brought into China from India—a step which would force hoarders to put on the market their stocks which probably amount to a year's ordinary supply.

GAUSS

893.506/48 : Airgram

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

CHUNGKING, September 27, 1943—2 p. m.

[Received October 13—3 p. m.]

A-65. Department's 889, July 12, 5 p. m. and Embassy's A-21, July 31, 1 p. m. A responsible official of the Finance Ministry now

states that the insurance project has been set aside at least temporarily, due to fear that it might be regarded as a step in the direction of Government monopoly. He says that if it should again be brought up for consideration, it will be in such form as to cause no concern to foreign capital; and that the Government is conscious of need for foreign capital and is aware that investors are timid and must be reassured by actions as well as by laws.

GAUSS

893.51/7715 : Telegram

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

CHUNGKING, October 2, 1943.

[Received October 2—3 : 45 p. m.]

1847. Following published by Central News Agency, Chungking, October 1:

“The Chinese Government would use 200 million of the U. S. dollars 500 million loan to buy and bring gold here for the purpose of combating inflation and stabilizing prices,” said Dr. P. H. Chang, Counsellor of the Executive Yuan, at the press conference held on September 20.

Asked how the gold will be used, Dr. Chang replied that the Ministry of Finance will devise ways and means which however cannot yet be told.

A correspondent asked Dr. Chang ‘when people here are just as ready to buy gold savings certificates and gold bonds why should gold be actually imported at all?’ Dr. Chang replied that there may be some people who prefer to have more tangible things than bonds and certificates.

The same correspondent raised another question as follows: ‘In view of the difficult transportation, don’t you think that the available airplane space should be better used for carrying ammunition which has a direct bearing on your war effort?’ In reply Dr. Chang said, ‘To combat inflation and to stabilize prices is also to strengthen our war effort for sound economic conditions inside the country are as important as supplies of arms to our fighting forces.’ When the same correspondent pointed out that whereas gold is bought in America at U. S. dollars 35 or CN dollars 700 per ounce, it is sold in China for much more than CN dollars 700 per ounce and therefore it seems that the Chinese Government is making profit, Dr. Chang emphatically declared that that is a wrong conception. In this war, he said, we United Nations must not calculate profit and loss in dollars and cents; it is cooperation and mutual aid which will bring about the final victory that really counts. He asked if, by selling gold, the United States can help China most, why she should not do so. He further contended that since the prevailing price for gold in New York is U. S. dollars 35 per ounce and China pays it, there is no loss on the part of the sellers at all.”

GAUSS

893.51/7717 : Telegram

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

CHUNGKING, October 4, 1943—4 p. m.
[Received 5 : 17 p. m.]

1858. Embassy's 1847, October 2 and 1800, September 25.⁶⁵ Minister of Economic Affairs⁶⁶ confidentially affirms that Government has not yet reached decision as to utilization of gold. He is privately doubtful whether sale here will materially retard inflation because (1) comparatively few Chinese will be able to purchase even a small amount and (2) even considerable sale would not result in sufficient reduction in currency circulation to be greatly beneficial, especially as the currency issue will necessarily continue to expand by over 3 billion per month. He believes, however, that gold could be used to some extent to stabilize commodity prices by emphasizing it for Government purchase of commodities to be sold at fixed prices.

In general he appeared to envisage no solution for China's inflation problem. He said the tax system, especially collection in kind, was ineffective because of corruption on the part of poorly paid tax officials and was unbearable on the part of the people as evidenced by the result and peasant revolts against it. He said Chiang Kai-shek's optimistic utterances before the CEC (Embassy's 1693, September 12⁶⁷) were made because Chiang wanted to encourage the people and also because the Generalissimo "liked to be an economist." He said it would be impossible to predict how long the disheartening situation could continue but he thought a bad crisis was unlikely within a year or a year and a half.

GAUSS

893.5151/960 : Telegram

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

CHUNGKING, October 10, 1943—noon.
[Received 12 : 42 p. m.]

1907. Secretary of the Treasury from Adler.

1. Dr. Kung wrote Board on October 5 that on President Chiang's instructions, Ministry of Finance had drafted a measure according to which overseas Chinese remittances up to US \$200 or sterling 50 a month would receive official rate plus 50% which he was submitting for Board's consideration. Board replied taking note of proposal and

⁶⁵ Latter not printed.⁶⁶ Wong Wen-hao.⁶⁷ *Ante*, p. 332.

pointing out that it was inadvisable to place upper limit on overseas remittances receiving additional 50%.

2. Board is preparing a letter to be sent to Dr. Kung in which Board will indicate the anomalous situation arising from the fact that with going into effect of proposed new arrangement for overseas remittance almost all foreign exchange in payments will receive 30 to 1 and will not go to Board while Board will continue to sell foreign exchange under November agreement and on current applications at 20 to 1 and will suggest that it would be much simpler if all China's foreign exchange transactions were handled at one rate. [Adler.]

GAUSS

893.5151/959 : Telegram

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

CHUNGKING, October 10, 1943—2 p. m.

[Received October 10—12:41 p. m.]

1909. Secretary of the Treasury from Adler. In view of delays in reciprocal aid negotiations,⁶⁸ would it be worthwhile for Treasury to consider arrangement on lines [of] arrangement already in effect in Middle East to sell gold on free market in China in order to cover U.S. Government expenditures in China, once Chinese Government starts operating in market? Advantages are obvious, drawback is that Chinese Government might be reluctant to agree. [Adler.]

GAUSS

893.5151/967a : Telegram

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

WASHINGTON, October 13, 1943—10 p. m.

1474. For Adler from Secretary of the Treasury. Please discuss the following matter with Dr. Kung.

The Treasury has received a number of complaints from missionary societies regarding losses resulting to these societies from the existing official exchange rate. The latest complaint received has been from the Maryknoll Fathers.

These missionary societies indicate that most of their remittances are for relief purposes. Would it not be possible for Dr. Kung to grant these missionary societies the special rate which is reportedly being given to other relief organizations, at least for that portion of their remittances which are for relief purposes?

⁶⁸ See pp. 515 ff.

It should be pointed out to Dr. Kung that these missionary organizations, like the other charitable and relief organizations which have been sending funds to China, not only make significant contributions to China's dollar earnings but also are important in educating the American people regarding China and in building good will in the United States for the Chinese people. On numerous occasions these missionary, relief, educational and similar organizations have indicated that they may be forced to discontinue all of their activities on behalf of China because of the artificially high character of the existing exchange rate.

Treasury does not desire to raise at this time the general question of a reduction in China's foreign exchange rate to a realistic level. Therefore, limit your discussion with Dr. Kung to the problems of missionary and similar organizations. [Morgenthau.]

HULL

893.50/3554

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

No. 1707

CHUNGKING, October 20, 1943.

[Received November 16.]

SIR: I have the honor to enclose an excerpt from despatch no. 72, October 6, 1943, from the Consul at Kweilin,⁶⁹ on the subject of political and economic conditions in Wuchow, Kwangsi Province. A summary is included in the excerpt from the despatch.

Reports of smuggling between free and occupied China have been frequent and apparently well-founded. This illicit trade generally involves the export of strategic materials and foodstuffs from free China and the import of cotton textiles and luxuries from occupied China. The Japanese have been reported in the past to have made substantial purchases in the southeastern part of free China with *fapi* (Chinese national paper currency) with the triple purpose of obtaining needed goods, reducing the supply of goods in free China and adding to the currency inflation in that area. The Japanese and followers of the puppet Nanking regime have recently shown increasing interest in gold, and the flow of gold, which was formerly reported to have been from Canton and Hongkong to free China, is said to have been reversed. A Chungking banker recently stated to an officer of the Embassy that there is also an increasing interest in *fapi* in occupied China and that substantial quantities of goods, chiefly cotton goods and luxuries, are coming into free China in exchange for that currency.

Respectfully yours,

C. E. GAUSS

⁶⁹ Not printed.

893.51/7721 : Telegram

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

CHUNGKING, October 29, 1943—3 p. m.

[Received October 29—1: 25 p. m.]

2041. Embassy's 1858, October 4. Government spokesman announced about middle of month that some of the gold has already reached China and while no announcement has been made of gold being sold or offered for sale we have been informed in strict confidence by authoritative source that small amounts are actually being sold by Government in order to test the market.

We understand, however, that consideration is still being given to question whether the gold might be retained by Government as a reserve to help maintain confidence in the continuously expanding currency and some observers are of opinion that Government is considering retention of the gold for the purpose also of accumulating stock for use in connection with postwar international monetary arrangement.

GAUSS

893.515/1564

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

No. 1772

CHUNGKING, November 4, 1943.

[Received November 27.]

SIR: I have the honor to enclose a copy of despatch no. 166, October 6, 1943, from the Embassy officer at Chengtu, with enclosures,⁷⁰ articles by Dr. Chao Shou-yu of Yenching University and Dr. J. Lossing Buck of Nanking University on the subject of China's obtaining 5,700,000 ounces of gold from the United States announcedly for sale in China to absorb excess currency.

Summary: Professor Chao and Dr. Buck agree that there is no evidence of a substantial demand for gold as an investment or as a medium of speculation. Professor Chao contends that sale of gold can be no more than a temporary palliative in itself and that strict enforcement of the "Revised Emergency Measures for Control and Regulation of Banks" would be a more effective means of stabilizing prices. Price control measures, he states, have failed because of the craftiness of merchants and the lack of established moral standards among officials. He expresses the hope that the Central Bank will not make loans against gold, as it has against U. S. dollar savings certificates. Dr. Buck points out that the price of gold has consistently

⁷⁰ None printed.

lagged behind commodity prices since the middle of 1940 and that in August, 1940, the purchasing power of gold reached its lowest point since the start of hostilities in China. Sale of a large amount of imported gold might be expected to reduce its purchasing power still further. Gold, he believes, is unattractive as a hedge against a break in commodity prices, as gold prices would inevitably fall along with other commodity prices. It is currency therefore, rather than gold that would be likely to be hoarded as a hedge. The price of gold in Chengtu, according to Mr. Smith, has declined from CN \$12,000 a liang (1.00471 oz) to CN \$9,000 since the announcement of the government's gold sale plan. *End of summary.*

Professor Chao's statement that sale of gold can be only a palliative and must be accompanied by other measures to control prices is in agreement with opinions of officials of the Ministry of Finance. His assumption that the gold will be sold through the Central Bank does not appear to be well founded, as Ministry of Finance officials have privately stated that, while it has not been decided how the gold will be sold, it definitely will not be sold through the government banks. He points to a real danger in his caution against permitting speculators to borrow from the Central Bank against gold, as they already do against U. S. dollar savings certificates.

Dr. Buck's contention that the market for gold is limited and that its purchasing power will decline still further if large quantities are offered for sale appears to be well founded. Many writers in local periodicals proceed on the assumption that it would be possible to sell 5,700,000 ounces of gold to the public in a short period at CN \$10,000 an ounce. It is notable that gold prices in centers near Japanese occupied territory, such as Kweilin and Loyang, have continued firm despite the announcement of the government's plan, whereas in interior centers they have declined materially.

Respectfully yours,

C. E. GAUSS

893.5151/971 : Telegram

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

CHUNGKING, November 24, 1943—5 p. m.

[Received November 26—2: 37 p. m.]

2231. To Secretary of the Treasury from Adler. Raised question with Dr. Kung in accordance with your instructions in conversation yesterday. He replied that missionaries had been receiving 30 to 1 for missionary expenditures since May 1 and that all famine relief expenditures had been receiving 40 to 1 from same date. He was in

course of negotiating with foreign missionary philanthropic and cultural organizations about further adjustment in rate they receive (re your 1474, October 13).

Above confirmed by reliable source according to which missionaries had been receiving 40 for famine relief expenditures. According to same source, Dr. Kung will probably give above organizations 40 for all their expenditures in China. [Adler.]

GAUSS

893.515/1561

The Secretary of State to the Chinese Ambassador (Wei)

The Secretary of State presents his compliments to His Excellency, the Chinese Ambassador, and has the honor to refer to the latter's note of October 18, 1943,⁷¹ regarding the manufacture of certain memorial medals by the United States Mint.

The Acting Secretary of the Treasury has now informed the Department that he has instructed the Director of the Mint to make available facilities at one of the United States Mints for the manufacture of these medals.

WASHINGTON, November 26, 1943.

President Roosevelt to the Chinese Minister of Finance (Kung) ^{71a}

[CAIRO,] November 26, 1943.

MY DEAR DR. KUNG: It was good of you to think of me and I am delighted to have that delicious Chinese tea—especially because I am more and more substituting tea for coffee.

Our visit here in Cairo with the Generalissimo and Madame Chiang has been not only very delightful but it has been a true success. It is the beginning of many such conferences, I hope. They have spoken to me in regard to the inflation problem and when they get back to Chungking they will speak with you in regard to a suggestion which I have made. I have not, of course, had a chance to talk with the Secretary of the Treasury about it but I will do so just as soon as I get home.

I do hope that I shall have the pleasure of seeing you one of these days very soon. My warm regards,

Sincerely yours,

F[RANKLIN] D R[OOSEVELT]

⁷¹ Not printed.

^{71a} Copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

102.1/9601a : Telegram

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

WASHINGTON, December 2, 1943—1 p. m.

1731. From the Secretary of the Treasury for Adler.

1. Ambassador Wei has informed the Treasury that prices in China are no longer rising but, because of gold sales, have in fact begun to decline.

2. Telegraph reply of your views and comments on this matter is requested by Treasury. [Morgenthau.]

HULL

102.1/9616 : Telegram

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

CHUNGKING, December 7, 1943—1 p. m.

[Received 11:59 p. m.]

2335. For account of course of prices September, October, see section 1, paragraph 1 of my 2297, of December 1.⁷² Ambassador Wei's statement like report of Mark Twain's death. True that prices of a few individual commodities fell in this period due to a number of factors, but this fall was insufficient to reverse upward trend. While preliminary retail price data for Chungking [in] November also reveal maintenance of comparatively gradual upward trend, price of only one commodity, tea, actually declined. Most competent observers believe that upward trend of prices will become more marked before Chinese New Year.

From Adler for Secretary of Treasury. Clear that largely psychological beneficial effects of Chinese Government purchase of gold have already worked themselves out and that only further sales to public on a significant scale would yield additional results. (Re your 1731, December 2.) In this connection Kung, in a recent conversation, repeated that Chinese Government would probably call a halt to large scale importation of gold owing to high cost of insurance and transportation and sell gold certificates instead. (Cf. end of paragraph 3, of my 2228, November 24.⁷²) Safe to predict that sale of claims on gold would neither find as ready a market nor yield as high a return per unit as would sale of gold itself.

GAUSS

⁷² Not printed.

II. TERMINATION OF CHINESE STABILIZATION FUND AND BOARD WHICH WERE ESTABLISHED UNDER PROVISIONS OF STABILIZATION AGREEMENT SIGNED AT WASHINGTON, APRIL 1, 1941

893.5151/928 : Telegram

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

CHUNGKING, June 9, 1943—1 p. m.

[Received 2: 11 p. m.]

879. TF-128. From Adler⁷³ to Secretary of Treasury⁷⁴ only. Re my TF-126, of June 1.⁷⁵ Saw Dr. Kung⁷⁶ yesterday when he again reviewed status of Stabilization Board. He indicated that in view of the change in circumstances since the 1941 Stabilization Agreement was negotiated⁷⁷ and particularly in view of the fact that the closer relations between China and the United States since that time has rendered the 1941 Agreement out of date, and is wondering whether the time had not come to reconsider the 1941 Agreement. He therefore asked me to sound you out informally as to whether you would prefer:

- (a) To have the 1941 Agreement terminated and a new agreement negotiated.
- (b) To have the 1941 Agreement revised.

1. In his conversation with me, Dr. Kung appeared to be very confident of his ability to negotiate a new agreement more favorable to China. I understand that he showed the same confidence when he discussed the matter with his advisors from the Ministry of Finance and the Chinese members of the Stabilization Board who all favored the renewal or at most the revision of the existing agreement. I am reliably informed that Dr. Kung has frequently asserted that the existing agreement was not a good one and has particularly objected to the first sentence of paragraph 9 of the agreement according to which you can terminate the agreement unilaterally at 30 days' notice. While he himself has on several occasions mentioned that he wished to retain foreign representatives on the Board, in more nationalistic circles, their presence on the Board is considered a derogation of Chinese sovereignty. Dr. Kung informed me yesterday that if negotiations for a new agreement are initiated, China will ask for terms of

⁷³ Solomon Adler, Treasury Department economic adviser to the United States member of the Chinese Stabilization Board, September 1941-February 1943; United States member of the Chinese Stabilization Board, February 1943 to March 1944.

⁷⁴ Henry Morgenthau, Jr.

⁷⁵ Telegram No. 826, p. 548.

⁷⁶ Chinese Minister of Finance.

⁷⁷ See *Foreign Relations*, 1941, vol. v, pp. 590 ff.

repayment identical with or similar to those of the Lend-Lease arrangements.⁷⁸

2. There is reason to believe that Dr. Kung is partly actuated by personal motives in his desire to negotiate a new agreement. Apparently Dr. T. V. Soong⁷⁹ recommended that the 1941 Agreement be renewed, but Dr. Kung wishes to demonstrate that he can obtain a better agreement than could Dr. T. V. Soong, and one which moreover will be free from any of the "stigmas" of the unequal treaties. Another possible factor is the desire to find a job for T. L. Soong⁸⁰ who has just been appointed a member of the Chinese Legation [*delegation*] to the preliminary discussion [of] international monetary cooperation. T. L. Soong was formerly manager of the Southwestern Transportation Company which monopolized traffic on the Burma Road. If such a job were given him, he would presumably replace K. P. Chen as chairman.

3. While your reaction to Dr. Kung's question will of course depend on broader considerations of policy, I feel it is my duty to report the impression based on observations at this end that it is to China's as well as to American interest that the 1941 Agreement should be preserved in essentially its present form. [Adler.]

ATCHESON

893.5151/931 : Telegram

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

CHUNGKING, June 14, 1943—9 a. m.

[Received June 14—8:54 a. m.]

915. TF-132. From Adler for Secretary [of] Treasury only. Refer my TF-128, June 9.⁸¹ Learn from reliable sources that Generalissimo⁸² cabled T. V. Soong on June 12 instructing him not to give you notice that China desires to extend 1941 Stabilization Agreement. This confirms previous suspicion that Kung was acting on Generalissimo's order in raising question referred to you in TF-128 or otherwise neither his uneasiness nor his obduracy in the face of the unanimous opinion of all his financial advisers would be explainable. Apparently Generalissimo has recently expressed strong dissatisfaction with 1941 Agreement. It would appear that he feels that China's external position is so favorable that he has no need to worry about

⁷⁸ For correspondence concerning Lend-Lease agreement of June 2, 1942, see *Foreign Relations, 1942, China*, pp. 566 ff.

⁷⁹ Chinese Minister for Foreign Affairs since December 1941.

⁸⁰ Brother of T. V. Soong.

⁸¹ *Supra*.

⁸² Chiang Kai-shek, President of the Chinese Executive Yuan (Premier).

possible Treasury reaction to China's allowing 1941 Agreement to lapse. [Adler.]

ATCHESON

893.5151/934 : Telegram

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

CHUNGKING, June 21, 1943—3 p. m.

[Received June 21—2:02 p. m.]

988. From Adler to Secretary of Treasury only. TF-133. Dr. Kung sent for me on Saturday and asked if there had been any reply to the question submitted to you in TF-128.⁸³ When I answered in the negative, he said he would appreciate receiving Treasury's response fairly soon, as unless some action is taken the Agreement would expire at the end of the month. [Adler.]

ATCHESON

102.1/8599b : Telegram

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

WASHINGTON, June 23, 1943—10 p. m.

797. For Adler from Secretary of the Treasury. Your cables of June 9, TF-128 and June 14, TF-132.

1. Treasury's position on the extension of the 1941 Agreement is that if China wishes to renew the 1941 Agreement, the Treasury will be glad to give favorable consideration to a request to this effect. It seems to us that the present form of the Agreement has worked out as satisfactorily as could be expected under existing conditions. However, any question as to whether the Agreement should be renewed or revised is a matter that is naturally of primary interest to the Chinese Government.

2. You may inform Dr. Kung informally of the Treasury's views on this point. [Morgenthau.]

HULL

893.5151/935 : Telegram

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

CHUNGKING, June 24, 1943—3 p. m.

[Received June 24—12:20 p. m.]

1013. For Secretary [of] Treasury only from Adler. TF-134. *Section 1.* Re my TF-128, June 9, TF-132, June 14, and TF-133,

⁸³ Telegram No. 879, June 9, 1 p. m., p. 457.

June 21. Yesterday evening Dr. Kung informed me that he had instructed Hsi Te-mou to approach you on question of revising the 1944 [1941] Agreement and to give the following [reasons] for revision:

(a) So many changes have occurred since 1941 that the 1941 Agreement is now out of date.

(b) The Board as instituted by the 1941 Agreement will not fit into the international monetary set-up contemplated by current monetary negotiations in Washington and Dr. Kung sees No. 2 as the larger problem to be contemplated by the 1941 Agreement.

(c) The renewal of 1941 Sino-American Agreement would also involve renewal of 1941 Sino-British Agreement.

Dr. Kung added that he wished the Board to continue to function but that he felt that Agreement should be revised in the light of the changed situation. Thus at the time of 1941 Agreement it was not contemplated that Board would function as an exchange control organization and yet exchange control has turned out to be the main sphere of operations.

Section 2. In this second conversation Dr. Kung mentioned that Dr. Soong has informed Generalissimo that the President had recently pointed out to Dr. Soong that Chinese inflation had reached the vicious stage and that the President has asked him what the Chinese Government was doing about it.

As a result of the President's observations, the Generalissimo discussed with Kung possible steps to counteract the inflation. Generalissimo raised the possibility of China's buying U. S. dollars 300 million of gold from the Treasury with the unused portion of the American U. S. dollars one-half billion loan⁸⁴ and of selling this gold to Chinese public. Kung informed me that he had told the Generalissimo that U. S. dollars 300 million of gold was too much and that China should ask for U. S. dollars 200 million. He was therefore asking me to sound you out on feasibility of your selling U. S. dollars 200 million of gold to China, China to purchase the gold out of unused portion of the U. S. dollars one-half billion loan and the gold to be gradually transported to China and sold to the Chinese public.

Kung said that from viewpoint of Chinese Government sale of gold to the public had several advantages over sale of savings certificates:

(a) The demand for savings certificates was limited to comparatively small class of merchants wishing to accumulate foreign exchange to finance imports from the U. S. The demand for gold would be much broader in China where there has been traditionally a demand for precious metals for hoarding (incidentally Kung mentioned that he intended terminating sale of savings certificates in near future and

⁸⁴ For correspondence on this subject, see *Foreign Relations, 1942, China*, pp. 419 ff.; for text of agreement signed March 21, 1942, see Department of State *Bulletin*, March 28, 1942, p. 263, or *United States Relations With China*, p. 510.

that total amount of savings certificates sold was little over U. S. dollars 40 million).

(b) While the Government had to sell savings certificates at official rate of 20 to 1 it could sell gold at the free market rate which is now between CN dollars 8 and 9,000 per ounce and thus absorb more *fapi* for same U. S. dollar investment.

(c) On the other [*one?*] hand the U. S. has a large amount of gold and on the other China will need more gold to subscribe her quota to the contemplated international monetary organization and she will be able to use such gold as is not bought internally for this purpose.

[Adler]
ATCHESON

893.5151/936 : Telegram

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

CHUNGKING, June 26, 1943—6 p. m.

[Received June 27—3:21 p. m.]

1031. For Secretary [of] Treasury only from Adler: TF-135. Re your 797, June 23. Informally communicated your views to Dr. Kung yesterday. He indicated that he would ask for revision of 1941 Agreement. [Adler.]

ATCHESON

893.5151/940 : Telegram

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

CHUNGKING, June 29, 1943—5 p. m.

[Received June 29—10:40 a. m.]

1055. TF-136. From Adler to Secretary [of] Treasury only. Reference my TF-135 of June 26. Dr. Kung informed me yesterday that he had instructed Dr. Soong to approach the Treasury officially and ask for revision of the 1941 Agreement in the spirit of Lend-Lease. [Adler.]

ATCHESON

893.5151/941a : Telegram

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

WASHINGTON, July 9, 1943—8 p. m.

882. Your 1031, June 26, 6 p. m., 1055, June 29, 5 p. m., and 1034 [1013], June 15 [24], 3 p. m. For Adler from the Secretary of the Treasury. For your confidential information only.

Part I. Reference TF-135 and TF-136.

(A) On June 29 Dr. Kuo Ping-wen and Mr. Hsi Te-mou approached the Treasury with regard to the revision of the 1941 Agreement. They indicated to the Treasury that they had been informed by Dr. Kung that Dr. Kung wished to place the Agreement on a Lend-Lease basis and indicated that this probably meant advancing funds to China on a Lend-Lease basis. They were informed that the Treasury could not use any part of the U. S. Stabilization Fund in this manner.

(B) On July 6 Dr. Kuo Ping-wen and Mr. Hsi Te-mou again called at the Treasury to say that they had now been informed by Dr. Kung that Dr. Kung wished the 1941 Agreement to be revised in accordance with the spirit and principles of Lend-Lease. They indicated that this probably meant that Dr. Kung wished to revise such provisions in the Agreement which the Chinese felt were not in accord with the spirit of complete equality such as the provision of Paragraph 9 of the Agreement which provides that the Secretary can unilaterally terminate the Agreement at 30 days' notice. Dr. Kuo and Mr. Hsi also indicated that Dr. Kung's reference to spirit of Lend-Lease might include objection to the present provision in the Agreement for payment of interest. The Treasury indicated to them that the funds provided under a stabilization agreement could not be advanced on the same basis as Lend-Lease aid but that the Treasury would be willing to consider revisions in the Agreement which Dr. Kung might wish to suggest which are compatible with our stabilization operations.

(C) It is suggested that you discuss informally with Dr. Kung the matter of the 1941 Agreement to make sure that he fully understands Treasury's position.

Part II. Reference your TF-134,⁸⁵ Part 2.

(A) Reference is made to request made to you by Dr. Kung to sound out Treasury as to feasibility of selling \$200 million of gold to be transported to China for sale to the public. For your information the Treasury is probably prepared to consent in principle to China's request but the details have not as yet been worked out. We will inform you as soon as a decision has been made.

(B) Among the various questions which have been raised here with regard to the sale of gold to China are:

1. How can the gold be used to have the greatest possible anti-inflationary effects? Will it be sold to banks or only to bullion dealers or only to the public, etc.?

⁸⁵ Telegram No. 1013, June 24, 3 p. m., p. 459.

2. Can measures be taken which will prevent part of the gold from falling into Japanese hands?

3. Should the gold be minted into coins or should the gold be milled into engraved bars denominated in ounces because of the difficulties in giving the coins any fixed monetary value? In this connection no legal difficulties are foreseen in minting in the United States Chinese coins for China. The suggestion has been made that there could be stamped on the coins or the bars some indication that the gold coins or bars were part of American financial aid to China.

(C) Any suggestions which you may have regarding the above problems or any other aspect of the matter will, of course, be welcomed.

(D) For your information there is given herewith some of the background in Washington to the Chinese request. When in Washington, Madame Chiang Kai-shek raised with Secretary Morgenthau the possibility of China's purchasing very large amounts of gold from the United States to be imported into China for sale to the public as a means of helping to check inflation. The Secretary indicated to her that the Treasury was willing to give the matter maximum consideration. As a result of further discussions, in which Dr. Kuo and Mr. Hsi represented the Government of China, the Treasury is probably prepared to acquiesce in principle to the Chinese request. The details, however, have not as yet been worked out and no definitive decision has been made.⁸⁶ [Morgenthau.]

HULL

893.5151/944 : Telegram

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

CHUNGKING, July 17, 1943—3 p. m.

[Received July 20—1:20 p. m.]

1211. State Department's 882, July 9, part I. In accordance with your suggestion, [I] took the opportunity during a call on Dr. Kung on the 15th to have an informal discussion with him to make sure that he fully understands the Treasury position with respect to revision of 1941 Agreement. He gave the impression—I think deliberately—that China was not particularly anxious to have a stabilization loan; presumably this is largely jockeying for bargaining position. At the same time he intimated that China would ask for certain specific changes in 1941 Agreement without indicating what they would be.

ATCHESON

⁸⁶ For correspondence, see pp. 401 ff.

102.1/8770d : Telegram

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

WASHINGTON, July 26, 1943—10 p. m.

967. From Secretary of Treasury for Adler.

1. Please inform Dr. Kung that:

(a) The Treasury is requesting you to submit your resignation to the proper authorities (this, however, is subject to paragraph 4 below) since the 1941 Stabilization Agreement under which the Secretary of the Treasury was obligated to nominate the American member of the Stabilization Board has lapsed.

(b) The Treasury intends to appoint you as Treasury representative in China.

2. You are instructed hereby to submit your resignation, as indicated above, as American representative on the Stabilization Board. However, the Treasury wishes you to stay on in Chungking as Treasury representative.

3. Treasury will also probably want you, before assuming your new duties, to go to India for a short period for the purpose of doing a report on the situation in connection with matters which are being discussed here at the present time relating to the silver market and the proposed sale of gold.

4. Do not submit your resignation if you have strong reasons why you feel that the above action would not be desirable but immediately cable the Treasury stating your strong reasons. [Morgenthau.]

HULL

893.51/7701 : Telegram

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

CHUNGKING, July 29, 1943—10 a. m.

[Received July 29—8:23 a. m.]

1329. From Adler to Secretary of Treasury only. TF-144.

1. Learn from reliable sources that Dr. Kung called a meeting of monetary experts early in week to consider what revisions China should propose to 1941 Agreement. Consensus of meeting favored maintenance of Board. Dr. Kung suggested that China should propose only a few revisions, one [none?] of them drastic. There is strong ground for believing that Kung's attitude is due to his desire to obtain Treasury consent to proposed purchase of gold. For your information, Kung does not realize that 1941 Agreement has elapsed.

2. Reference your 967, July 26:

(a) If Treasury envisages future reestablishment of counterpart of Board to facilitate post-war monetary cooperation, it would be preferable to preserve continuity. If not, there is no strong reason for my not resigning.

(b) Please inform me at earliest convenience whether I should submit resignation as from June 30 or as from date when Board is actually wound up. Am waiting your reply before taking action.

[Adler]
ATCHESON

893.51/7701 : Telegram

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

WASHINGTON, July 31, 1943—5 p. m.

997. Your 1329, July 29 and Department's 967, July 26. For Adler from the Secretary of the Treasury. Re TF-144, July 29.

1. The day you receive this message you should submit your resignation as of then.

2. The above information has been communicated to the British in Washington. [Morgenthau.]

HULL

893.51/7702 : Telegram

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

CHUNGKING, August 4, 1943—10 a. m.

[Received August 5—12:59 p. m.]

1373. From Adler to Secretary [of] Treasury. Re your 967, July 26; and 997, July 31.

1. Saw Dr. Kung yesterday and notified him according to instructions. He was first taken aback but then said it was a pity that action was being taken at very time when Ministry of Finance was about to renew 1941 Agreement subject to specific revisions it had been preparing for your consideration. Have submitted my resignation as of August 2.

2. Chairman on being informed said he assumed I would participate in work of liquidating Board. I replied that I would prefer to receive your specific authorization before formally agreeing to do so.

3. Should appreciate your informing me when approximately you would expect me to take trip to India. [Adler.]

ATCHESON

893.51/7703 : Telegram

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

CHUNGKING, August 6, 1943—9 a. m.

[Received 11:50 a. m.]

1392. For Secretary [of] Treasury from Adler. TF-150. Have just received a reply to my letter of August 2 to Dr. Kung in which I formally submitted my resignation. Dr. Kung neither accepts nor rejects my resignation but writes he has cabled Chinese representatives in Washington asking them to ascertain Treasury's views with respect to bearing of your instructions to me upon possible negotiation of an altered agreement and also to proposed international monetary arrangements. He concluded that he will communicate with me further after receiving a reply to this inquiry. [Adler.]

ATCHESON

893.51/7702 : Telegram

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

WASHINGTON, August 11, 1943—8 p. m.

1088. From Secretary of the Treasury for Adler. Your 1373, August 4, and TF-150, August 6. Please tell Dr. Kung that:

The reason the Treasury instructed Mr. Adler to submit his resignation is that, since no request was received for the renewal of the 1940 [1941] agreement as provided in paragraph 9 thereof, the agreement had lapsed. We have just been informed by Dr. Kuo and Mr. Hsi that, as the Ministry of Finance is now considering revisions of the 1941 agreement for submittal to the Treasury, Dr. Kung wishes Mr. Adler to withdraw his resignation. In view of this the Treasury is asking Mr. Adler to withdraw his resignation temporarily. [Morgenthau.]

HULL

893.51/7702 : Telegram

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

WASHINGTON, August 20, 1943—midnight.

1156. Department's 967, July 26, and your 1373, August 4. From the Secretary of the Treasury for Adler.

1. In case of non-renewal of the 1941 Stabilization Agreement in its present form or in a revised form, and in case your services on the Stabilization Board will no longer be required, you will go to India as soon as the discussions now going on regarding the 1941 Agreement terminate and before you assume your new duties as Treasury representative.

2. In case the 1941 Agreement is renewed and should you continue on the Stabilization Board in your present position, the question of a vacation or a leave of absence is regarded here as a matter for discussion between you and the Chinese. However, should it be decided that you should take a vacation in the near future it would be appreciated by the Treasury if you would go to India for such vacation and would prepare a report on monetary conditions and having particular reference to the gold and silver markets.

3. The expenses of your trip to India would be paid by the Treasury Department.

4. Further developments in the discussions regarding the 1941 Stabilization Agreement must be awaited before considering more details of the proposed trip to India. [Morgenthau.]

WELLES

893.51/7706 : Telegram

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

CHUNGKING, August 24, 1943—11 a. m.

[Received 2 : 16 p. m.]

1550. From Adler to Secretary of Treasury only. TF-153. Learn confidentially Chairman some 10 days ago submitted his resignation, which Dr. Kung rejected. Chairman, who appears determined to quit, has again submitted resignation, though agreeing to carry on until successor is appointed. While stated ground for resignation is health, his actual grounds are undercurrent of friction with Dr. Kung and dissatisfaction with Board's lack of power. [Adler.]

ATCHESON

893.51/7707 : Telegram

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

CHUNGKING, September 2, 1943—2 p. m.

[Received September 6—8 : 54 a. m.]

1624. Embassy's 1550, August 24. Chairman has informed me that his resignation has not been accepted, that he again told Dr. Kung he would carry on until successor is named and that he accordingly expects to continue in the post for some time. He stated also that question of revision continues to be discussed and he intimated that he was strongly opposing revision, including any revision which would eliminate foreign members of the Board. He mentioned several times that the "Board has no power".

Please inform Treasury.

Repeated Calcutta for Adler's information.

ATCHESON

893.51/7712 : Telegram

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

CHUNGKING, September 22, 1943—7 p. m.

[Received September 22—1 : 34 p. m.]

1779. Embassy's 1624, September 2. We are reliably informed that there has been no change in the situation and that the Ministry of Finance is awaiting "the American reply" to suggestions in regard to revision of the Stabilization Agreement sent some time ago by Kung to Hsi Te-mou. Please inform Treasury.

Repeated to New Delhi for Adler's information.

ATCHESON

893.51/7714 : Telegram

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

CHUNGKING, September 25, 1943.

[Received 11 : 59 p. m.]

1801. Embassy's 1624, September 2. We are informed by a reliable authoritative source that pending definitive action in regard to the Stabilization Board, the Board's activities have deteriorated to practically nothing as the Board itself does not know what its status is and lacks any real power. According to this source, who is very close to the chairman, K. P. Chen will probably continue as chairman until the Board in its present form "is shelved and Chen is shelved with it."

GAUSS

893.5151/967

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

[WASHINGTON,] October 6, 1943.

Participants: Mr. H. D. White, Assistant to the Secretary of the Treasury

Mr. Friedman, Treasury Department

Mr. Taylor, Treasury Department

Mr. Ballantine, FE

Mr. Stanton, FE

At a meeting called by the Treasury Department on October 6, Mr. White brought up the question of the renewal with China of the Stabilization Agreement of 1941.

⁸⁷ Initialed by the Chief of the Division (Ballantine).

Mr. White stated that the Chinese Government about two months ago had indicated through Dr. T. V. Soong, Minister of Foreign Affairs, who was in Washington at the time, a desire to revise the Stabilization Agreement of 1941 which has expired. About three weeks ago the Chinese had finally submitted specific proposals indicating the manner in which they desire the agreement revised. The most important proposal made by the Chinese was that the 1941 rate of exchange between Chinese yuan and U. S. currency should continue to govern the revised agreement. Mr. White stated that the Treasury which was responsible to Congress for the utilization of the American portion of the Stabilization Fund, amounting to \$50,000,000, was not prepared to conclude an agreement on the basis of the 1941 rate of exchange which at the present time has little relation to the actual value of Chinese currency. He remarked that as we all knew Chinese currency had depreciated rapidly during the past year. Mr. White said that the Treasury was therefore inclined to "stall" and to indicate to the Chinese merely that this question was under consideration. Mr. White said the Treasury desired to know, however, whether in the opinion of the State Department there were any important political reasons or considerations which would make it inadvisable for the Treasury to pursue the policy indicated.

Mr. Ballantine inquired what economic issues were involved in the renewal of the agreement on the basis of the 1941 rate of exchange. Mr. White replied that the Treasury felt renewal on such a basis was, so far as the United States was concerned, economically and financially unsound and that the Treasury did not believe further appropriations for this purpose on the basis of the 1941 rate would receive Congressional approval.

There ensued some discussion in regard to the possible connection between this matter and the conclusion of a reverse Lend-Lease agreement⁸⁸ with the Chinese. Mr. White indicated that the absence of a stabilization agreement with the Chinese Government, fixing a specific rate of exchange between Chinese yuan and U. S. currency, would eliminate certain technical difficulties which would otherwise confront the Treasury in a reverse Lend-Lease agreement such as contemplated. Mr. White said he thought that the Treasury's lack of interest in a renewal of the Stabilization Agreement on the old basis might cause the Chinese Government to take favorable action in regard to reverse Lend-Lease. He also remarked that in the absence of a stabilization agreement fixing the rate of exchange between Chinese yuan and U. S. currency, there would be no legal obligations, in so far as our official personnel in China was concerned, to refrain from use of the "black market" if they should choose to do so.

⁸⁸ For correspondence on this subject, see pp. 515 ff.

Mr. Ballantine stated that he would bring this matter to the attention of interested officers of the Department and that he would expect to communicate informally to Mr. White our reactions to the Treasury's proposed course as soon as possible. Mr. White said Treasury would of course keep the Department fully informed of any developments.

893.5151/966

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

[WASHINGTON,] October 7, 1943.

Reference the underlying memorandum⁸⁹ of conversation between officers of the Department and Mr. Harry D. White and other officers of the Treasury Department in regard to renewal of the Stabilization Agreement with the Chinese Government.

FE perceives no objection to Treasury following the course proposed by Mr. White in regard to this matter for the following reasons:

a. Information received by the Department from Chungking would indicate that this matter is not one of pressing concern to the Chinese authorities. The fact that the Chinese were slow in taking any action when the agreement expired, that the Chinese requested a revision of the agreement on the basis of the 1941 rate of exchange which they know is unrealistic and not likely to be viewed favorably by the Treasury, would tend to confirm the impression that this matter is not of serious concern to the Chinese Government. It is not believed, therefore, that failure of the Treasury Department to proceed immediately with negotiations regarding this matter would have any adverse political repercussions or affect the very friendly relations now existing between China and the United States. Our military and material aid to China which is slowly increasing will in no way be affected.

b. In as much as the Stabilization Agreement of 1941 merely stabilized and fixed the rate of exchange between Chinese yuan and U. S. currency, it had little effect on the inflationary situation which has steadily deteriorated. It is believed that the conclusion of a revised or new stabilization agreement would have equally little effect on the present financial situation in Free China.

c. FE is inclined to believe that a delay on the part of the Treasury in taking up this matter with the Chinese authorities will perhaps induce them to give favorable consideration to the conclusion of a reverse Lend-Lease agreement. The conclusion of a reverse Lend-Lease agreement is all the more important to our military and official personnel in China, whose difficulties have been increasing, in view of

⁸⁹ *Supra.*

the disinclination of the Chinese, as evidenced by their recent proposals to the Treasury, to readjust the rate of exchange and place it on a more realistic basis.

FE suggests that Treasury be informally advised that the Department perceives no objection to the course proposed by Treasury in handling this matter.

J[OSEPH] W. B[ALLANTINE]

893.5151/967

Memorandum by the Chief of the Financial Division (Livesey) to the Assistant Secretary of State (Berle)

[WASHINGTON,] October 11, 1943.

MR. BERLE: These papers⁹⁰ show the present status of the China Stabilization Agreement renewal with revision proposal, which has been lost to sight for some weeks. Treasury proposes to stall indefinitely.⁹¹

893.5151/966

Memorandum by Mr. Paul F. McGuire, of the Office of the Adviser on International Economic Affairs, to the Adviser on International Economic Affairs (Feis)

[WASHINGTON,] October 13, 1943.

MR. FEIS: I talked to Mr. Friedman at Treasury and he said that the Chinese have not yet submitted specific proposals for revision of the 1941 "Stabilization Agreement" in writing. Chinese representatives submitted some proposals orally to Harry White, in Friedman's presence. Friedman assured me that the proposed changes were on "minor points", e. g. giving the right of termination to both parties etc. Contrary to Mr. Stanton's report on Mr. White's statement during the conversation of October 6, to the effect that "the most important proposal made by the Chinese was that the 1941 rate of exchange . . .⁹² should continue to govern the revised agreement," Mr. Friedman said that it was his impression that the Chinese did not discuss exchange rates specifically, though probably their silence on this point implied that they did not contemplate any change in the 1941 rate.

⁹⁰ See memoranda of October 6 and 7, pp. 468 and 470.

⁹¹ Notation by Mr. Berle: "Unless you see some reason to the contrary, FE's memo seems sound."

⁹² Omission indicated in the original.

Until the Chinese submit written proposals, they can hardly be said to be actively interested in renewal, and this Government probably need not feel called upon to take the initiative. Due to China's present trade isolation, the stabilization board has been inactive, and a debate over exchange rates at this time would be highly academic. It would seem advisable to wait until the need for stabilization operations arises, and then draw up a new arrangement meeting the requirements of the situation. Arrangements for dollar loans and gold sales are more appropriate means for meeting China's present financial needs, while the existence of an exchange stabilization arrangement merely gives a false appearance of recognition and support to the unrealistic official exchange rate established by the Central Government, and handicaps our negotiations for reciprocal lend-lease and fairer conversion rates on diplomatic salaries and charitable remittances.⁹³

893.51/7719 : Telegram

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

CHUNGKING, October 16, 1943—3 p. m.

[Received October 16—11:31 a. m.]

1966. For Department only. We are informed by authoritative and reliable source that, just before Adler left for Cairo to meet White, Kung said to him that he could tell White that the Chinese Government offered the U. S. Government two alternative proposals in regard the Stabilization Agreement:

(1) The Agreement could be revised along lines suggested by the Chinese Government or

(2) the Board could be liquidated pending some suitable opportunity in the future to revive the Agreement.

GAUSS

102.1/9414c : Telegram

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

WASHINGTON, November 13, 1943—9 p. m.

1638. From Secretary of Treasury for Adler.

1. Mr. T. L. Soong and Mr. Hsi Te-mou have been informed that the Treasury feels that the 1941 Agreement should not be renewed under present circumstances and that you are being asked to resign from the Stabilization Board. They were told that it is the Treasury's feeling that a stabilization agreement should not be entered into on

⁹³ Marginal notation by Mr. Feis with respect to the last sentence: "Yes. H. F."

the basis of the present exchange rate and that China does not at this time need the financial assistance. If it so desires, China could raise the question of a new agreement with the Treasury at some future time.

2. It was therefore the Treasury's intention to instruct you to submit your resignation to Dr. Kung as of December 31, this giving you some time to be of assistance to the Board. However, Mr. Hsi Te-mou has requested the Treasury not to ask you to resign at this time but instead to wait a few weeks until he shall have received from Dr. Kung a reply regarding the Treasury's position. You will therefore not submit your resignation at this time. The feeling here, however, is that the Treasury is unlikely to change its views regarding your resignation. It is anxious that the financial position of the Board, when you leave it, should be such that it will be impossible to suggest that inability of the Board to meet its obligations was the reason the American member resigned. Information regarding this is requested. [Morgenthau.]

HULL

893.5151/968 : Telegram

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

[Extract]

CHUNGKING, November 17, 1943—4 p. m.

[Received 5 : 23 p. m.]

2184. For Secretary [of] Treasury from Adler.

1. Returned Chungking November 13.

2. Saw Dr. Kung same day and reported on Treasury's attitude on future of Board in accordance with Cairo instructions.⁹⁴ He indicated it was perfectly agreeable to him that Board should be wound up in near future. I suggested it might be desirable for Treasury and Ministry to issue a joint statement at suitable moment couched in appropriate language in order to avoid Axis propaganda exploiting termination of agreement to which he readily agreed.

3. Reference your 1638, November 13. Board should be able to meet its obligations and settle outstanding business by December 31. In this connection it is liquidation of sterling obligations which require most time as our stabilization loan is still intact while sterling obligations under Sino-British agreements of 1939 and '41 will have to be handled.

[Adler]
GAUSS

⁹⁴ Mr. Morgenthau and Mr. White both were present at Cairo when Mr. Adler was there for consultation.

893.5151/971a : Telegram

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

WASHINGTON, November 24, 1943—10 p. m.

1690. For Adler from the Secretary of the Treasury.

1. Mr. Hsi Te-mou and Mr. T. L. Soong have informed the Treasury that Dr. Kung agrees with the Treasury that under present circumstances the 1941 Agreement should not be renewed.

2. The Treasury herewith instructs you to submit your resignation to Dr. Kung as of December 31, although at your discretion you may postpone date of resignation until January 31, 1944, if you feel that additional month may be necessary to wind up Board's affairs. [Morgenthau.]

HULL

893.5151/974

Memorandum of Conversation, by Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] November 25, 1943.

Participants: Sir George Sansom, British Embassy;
Mr. Ballantine and Mr. Hiss.

Sir George Sansom had called on Mr. Hornbeck in connection with several matters other than the topic under reference. When Sir George raised the question of the Stabilization Board Mr. Hornbeck, who at about that time was called to the Secretary's office, referred Sir George to Messrs. Ballantine and Hiss.

Sir George said that instructions had been received from the British Foreign Office to mention to the Department of State the view of the Foreign Office that the continuance of the Stabilization Board on a three-power basis had political aspects which the Foreign Office considered of some importance.

In the course of a general informal discussion of the status of the Stabilization Board Messrs. Ballantine and Hiss stated that in their opinion, speaking personally and not officially, the matter from a political point of view was not of very great moment. Sir George said that he did not perceive any very great political issue but that he was not sure just what the Foreign Office had in mind. Messrs. Ballantine and Hiss suggested that Sir George might wish to talk directly with Dr. White of the Treasury Department in order to be sure that he had full understanding of the Treasury's position in the matter. Sir George replied that Sir David Waley, the British Treasury's representative in Washington, had talked with Dr. White of

the Treasury and said that he could do no more. Sir George indicated that he himself would be reluctant to talk the matter over with Dr. White in view of his own lack of knowledge of the details of the matter and in view of the fact that Sir David who was an expert on such matters had not accomplished anything.

Messrs. Ballantine and Hiss pointed out that so far as they knew the Treasury had at no time taken any rigid attitude with the Chinese on this matter and that the door was always open to the Chinese to suggest some new approach to the matter. It was pointed out to Sir George that the Stabilization Board is not in position at present to accomplish very much, that the American-Chinese Stabilization Agreement has expired and that the Chinese have not proposed any renewal of the agreement which seemed feasible to the Treasury Department. In the absence of any indication that the Chinese were sufficiently desirous of continuing the Board to offer to consider any revision of the agreement so as to make it more acceptable to us, it would seem that it would place us in an awkward position to express a desire to continue representation on the Board. Sir George was told that Mr. Adler continues to remain in Chungking and that we are not aware of any decision to recall him. It was also pointed out to Sir George that it may be somewhat anomalous for this Government, under the circumstances, to continue participation in an agency whose primary duty is to stabilize Chinese currency at the existing official rate of twenty to one when at the same time, as Sir George knew, this Government is expressing directly and indirectly the view that the official rate results in very considerable hardships to American official personnel in China and even interferes with the full conduct of our military effort in China.

Sir George seemed inclined to drop the matter and, in any event, it would appear that no further action is called for unless the British Embassy take some further initiative in the matter.

893.5151/972 : Telegram

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

CHUNGKING, December 1, 1943—10 a. m.

[Received December 2—12:21 a. m.]

2298. 1. Kung wrote to their man November 23 instructing Board to stop purchase and sale of foreign exchange from November 30 and informing him that business previously transacted by Board will in future be handled by Central Bank and Exchange Control Commission. Understand latter body is being organized with Kung as chair-

man, K. P. Chen (if he will accept) and O. K. Yui⁹⁵ as vice chairmen, Jian Chen, Pei, Kwok and Tai of Ministry of Finance as members and Dr. Chen as General Secretary.

2. Board at meeting of November 29 decided to wind up its affairs subsequent to receipt of instructions from Kung. From Adler to Secretary of the Treasury. Re your 1690, November 24, some doubt existed at meeting as to whether affairs could be wound up by year end and I'm accordingly suspending judgment as to date of resignation until matters clearer.

GAUSS

III. CHINESE REQUEST FOR A BILLION DOLLAR LOAN FROM THE UNITED STATES

893.51/7723 : Telegram

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

CHUNGKING, December 9, 1943—3 p. m.

[Received December 10—midnight.]

2361. For the President and the Secretary and Under Secretary.

1. The Embassy has recently had several intimations that China proposes soon to ask the United States for another substantial political loan.

We here perceive no sound basis, political or economic, for supporting any such loan proposal at this time.

China does not lack substantial United States dollar resources, Government and private. Including the [\$]200,000,000 included for the purchase of American gold, Government balances in the United States are believed to be in excess of [\$]300,000,000 and to be mounting very substantially each month. Private holdings are estimated at between 4 and 500,000,000 [dollars].

It is not feasible for China to mobilize her United States dollar resources to combat internal inflation, and the manner in which the half billion dollar American credit⁹⁶ was employed does not inspire confidence that a further loan would be better handled. Further, China has not yet begun to use the British sterling credit granted at the same time as the American loan.

Even if the Burma Road is re-opened, China has adequate resources to finance purchase of such commercial goods as could be permitted to be brought in. While the war continues, the Burma

⁹⁵ Chinese Vice Minister of Finance.

⁹⁶ For correspondence on this subject, see *Foreign Relations*, 1942, China, pp. 419 ff; for text of agreement signed March 21, 1942, see Department of State *Bulletin*, March 28, 1942, p. 263, or *United States Relations With China*, p. 510.

Road would need to be restricted principally to military supplies and equipment and most of these would be Lend-Lease.

From the political angle, there is now no need for any further loan. The military action of the United Nations promising eventual complete victory and restoration to China of all lost territory,⁹⁷ there is no reason to fear that China might seek a separate peace. It is true that there is gradual increasing deterioration in the whole Chinese structure, military, economic and administrative but a further American loan at this time would not improve that situation or retard the deterioration.

China's political and territorial aspirations have largely been assured by the pledge to continue the war until the unconditional surrender of Japan, by recognition of China in the Moscow Declaration⁹⁸ and at the Cairo Conference as one of The Big Four Powers, and by the Cairo Declaration, which appears to be particularly reassuring in reference to Manchuria toward which area China has feared possible Soviet ambition.

2. Constant careful observation of the situation in China, leads to the conviction (a) that there is a strong disposition in the Chinese Government to exploit to the full the existing openhandedness and good will of America, with little or no thought of accepting any refusal of Chinese requests or of giving any *quid pro quo* or even of considering mutual benefits; (b) that there is growing complacency in regard to the war, extending up to many influential officers and advisers to President Chiang, who are disposed to feel that China has done her full part in resisting the Japs for more than 6 years and that America should now undertake the full burden of the conflict; and (c) that in discussions for the formulation of plans for a new and powerful China the tendency is distinctly toward a closed economy designed solely for Chinese benefit and definitely away from those liberal principles for mutually beneficial world economy set forth in Secretary's address on July 16, 1937,⁹⁹ the Hull-Quo exchange of notes of May 1941,¹ the Mutual Aid Agreement of June 2, 1942² and other expressions of our post-war objectives.

No fair minded observer can fail to credit China for containing in this country a substantial Jap force which might otherwise be used against us elsewhere. (Soviet Russia has done likewise on the Siberian-Manchurian border.)

⁹⁷ See Cairo Declaration issued December 1, 1943, Department of State *Bulletin*, December 4, 1943, p. 393. The records of the Cairo Conference are scheduled for publication in a subsequent volume of *Foreign Relations*.

⁹⁸ For correspondence on the Moscow Declaration, see pp. 819 ff.

⁹⁹ *Foreign Relations*, Japan, 1931-1941, vol. I, p. 325.

¹ *Ibid.*, pp. 927-930.

² Department of State Executive Agreement Series No. 251, or 56 Stat. 1494. For correspondence, see *Foreign Relations*, 1942, China, pp. 566 ff.

No one familiar with the condition of China's armies and the logistics of the military situation in the China theater could expect any substantial major military effort by China against Japan. But there is nevertheless a great deal that China can and should do but is not doing, within the scope of Chinese resources and ability, to help herself and thus further the war effort by giving whole-hearted assistance to the American Air Force and other American operations in this theater and by reasonable and equitable arrangements for the American financing [of] the war in the China area.

Within recent months at the instance of General Stilwell³ the Embassy has been exerting constant quiet [pressure?] in political quarters to impress upon China the necessity of getting on with such works as the construction of new air fields, construction and improvement of roads for military transport and communication purposes, etc. Investigation has shown that Chinese budgets for such purposes have been cut and have only been restored under pressure and that funds appropriated have been long delayed in being issued by the Treasury, thus delaying the work. Quiet confidential investigation in assistance to our Army has disclosed indications of extensive corruption, jealousies, delays and sabotage of honest effort.

Our Army is paying out large sums monthly in financing airfield installations, paying transportation charges, etc. These payments run to 20 or more million American dollars monthly and are constantly rising. Our costs are stated to be from 8 to 10 times those which would be incurred in the United States for similar facilities and services due to Chinese insistence on maintaining a fantastically arbitrary exchange rate for Chinese dollars against United States dollars. With the runaway inflation in China, prices of commodities and services have increased 16 to 18,000 percent (160 to 180 times) over 1937 levels and are continuing to increase at a rate of about 10 percent monthly. But the Chinese dollar has been pegged at 5 cents United States currency against a prewar rate of 33 cents. In relation to price levels and prewar exchange rates the Chinese dollar should not now be worth more than one half cent to one cent. Proposals made for some exchange adjustment or arrangements under reverse Lend-Lease have been evaded. The army continues its heavy and increasing monthly expenditures at the arbitrary rate and China meanwhile is quietly building up a substantial United States dollar reserve at our expense.

Some may argue that in her present deplorable economic position China is unable to assist the United States financially in our war

³ Gen. Joseph W. Stilwell, Commanding General, United States Army Forces in China, Burma, and India.

expenditures in this country. I do not suggest that China should bear such expenses but I suggest that China should not exploit the United States in the matter. China should be encouraged to realize that it is blessed to give as well as to receive and that by helping us she will be helping herself.

In the face of all the foregoing I am of opinion that no further American political loan to China can be justified at this time.

3. I am convinced that there should be a quiet but persistent forming of our attitude toward China, that it should be emphasized that mutual benefit is requisite in all our inter-governmental arrangements and exchanges, that Chinese should be impressed with the necessity of an all out effort within the limits of her resources and ability toward winning the war, toward helping herself by helping us in our war effort in the China theater, and that a more realistic and equitable attitude must be insisted upon from China in reference to the exchange financing of our American expenditures for military and Government purposes in this theater.

4. On the subject of Chinese tendency toward a closed economy in the postwar period [I] strongly recommend that we should without further delay quietly put China on notice as to our expectations before she adopts policies which for reasons of oriental face she may not later be willing to alter, by opening negotiations for our commercial treaty, advancing our proposals regarding the treatment of American commerce and American financial and industrial interests, emphasizing the necessity for mutual consideration and mutual benefit and insisting that Americans and American interests in China all enjoy rights and privileges comparable to those enjoyed by Chinese in the United States.

GAUSS

893.51/7666½

The Secretary of the Treasury (Morgenthau) to the Secretary of State

WASHINGTON, December 20, 1943.

MY DEAR CORDELL: I am sending you herewith copy of a confidential memorandum on the Chinese situation, which I gave to the President yesterday afternoon. In drafting this letter for the President, unfortunately I did not have the benefit of the information contained in Ambassador Gauss' cable of December 9th.⁴

Sincerely yours,

HENRY

⁴ *Supra.*

[Enclosure]

*Memorandum by the Secretary of the Treasury (Morgenthau) to
President Roosevelt*

[WASHINGTON,] December 18, 1943.

MEMORANDUM FOR THE PRESIDENT

You have spoken of the request of Generalissimo Chiang Kai-Shek for an additional \$1 billion of financial aid to China to be used to help control inflation and for postwar reconstruction.

I

The facts regarding inflation in China and the possibility of its control through the use of dollar resources are as follows:

Inflation in China, as you well know, arises from the grave inadequacy of production for war needs and essential civilian consumption. Supplies have been drastically reduced by enemy occupation and the cutting off of imports except the small amounts that come by air or are smuggled from occupied territory.

The Chinese Government cannot collect sufficient taxes or borrow from the people in adequate amounts. As a consequence, the Government has been issuing 3.5 billion yuan a month, twice the rate of a year ago.

The official exchange rate for yuan is now 5 cents; before China entered the war it was 30 cents. The open market rate for yuan in U. S. paper currency is one cent and in terms of gold one-third of a cent.

You have suggested the possibility of our selling dollar currency for yuan to be resold to China after the war at no profit to us. No doubt something could be done to alleviate inflation through the sale of gold or dollar currency in China. I have received the following message from Dr. Kung⁶ dated December 14:

"You will be pleased to hear that the recent gold shipment is one of the outstanding factors contributing to the strengthening of *fapi*, because people believe that the arrival of gold has increased the much needed reserve of our currency, thereby influencing the stability of prices. The action of the United States Government re-affirms to the Chinese people that, despite difficulties arising from the blockade and the cumulative effects of over six years of war against the invasion, China has a powerful friend desirous of strengthening China's economy as conditions permit."

However, while something could be done to retard the rise in prices, the only real hope of controlling inflation is by getting more goods

⁶ H. H. Kung, Chinese Minister of Finance.

into China. This, you know better than I, depends on future military operations.

II

China has tried two similar monetary remedies for alleviating inflation without marked success.

1. The Chinese Government issued and sold dollar securities for yuan, setting aside \$200 million of the aid granted by this country for the redemption of the securities. (These securities were sold at exorbitant profit to the buyers. For instance, a person holding \$100 in U. S. currency could have quadrupled his money in less than two years by selling the currency for yuan on the open market and buying the dollar securities issued by the Chinese Government.) I believe that the program made no significant contribution to the control of inflation.

2. The Chinese Government has recently been selling gold at a price in yuan equivalent to \$550 an ounce, about fifteen times the official rate. We have shipped to China more than \$10 million of gold and they have sold about \$2 million of gold for yuan. This program has not been tried sufficiently to warrant any definite conclusion as to its possible effect.

China now has \$460 million of unpledged funds in the United States and is getting about \$20 million a month as a result of our expenditures. China could use these funds in selling gold or dollar assets for yuan, although in my opinion such schemes in the past have had little effect except to give additional profits to insiders, speculators and hoarders and dissipate foreign exchange resources that could be better used by China for reconstruction.

Under the circumstances, a loan to China for these purposes could not be justified by the results that have been obtained. It is my opinion that a loan is unnecessary at this time and would be undesirable from the point of view of China and the United States. Large expenditures on ineffective measures for controlling inflation in China would be an unwise use of her borrowing capacity which should be reserved for productive uses in other ways. On reconstruction, it is too soon for us to know the best use or the best form of the aid we might give to China.

Recommendations

For the past five years I have had a deep admiration for the valiant fight that the Chinese people, under the leadership of Chiang Kai-Shek, have waged against Japanese aggression. Therefore, I am in complete sympathy with your position that no stone be left unturned to retard the rise in prices. Using the tools we have at hand, I recommend the following :

1. All U. S. expenditures in China, currently \$400 million yuan a month and rising rapidly, be met through the purchase of yuan with gold or dollar currency at whatever price we can get them for in the open market. This is equal to more than 10 percent of the present rate of issue.

2. Accelerate the shipment of gold purchased by China to twice the amount we have previously planned to send. It should be possible to raise gold shipments from \$6 million a month to about \$12 million. At the present price for gold in the open market this would be equal to the present 3.5 billion of yuan currency that is being issued.

The impact of this two-fold program should contribute to retarding inflation, always bearing in mind that the basic reason for inflation in China is the shortage of goods.

893.51/7725 : Telegram

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

CHUNGKING, December 23, 1943—3 p. m.
[Received December 24—10:16 a. m.]

2478. At their request I called with Atcheson⁷ on President and Madame Chiang last evening. Wang Chung-hui⁸ who was with them at Cairo was also present but no others. Chiang asked significantly whether I had recently received any telegrams. I replied none of importance. He then inquired what I thought of situation in China, especially economic situation, and said he would be glad to receive my advice and to hear any plan I might propose. He spoke of seriousness of economic conditions, repeated suggestion that I offer any plan for improvement; and went on to say that the coming year will be most critical in China and that economic collapse has so far been avoided because of the faith of Chinese people in the national currency. He said it is essential that the Burma Road be opened soon and that so long as Burma Road remains closed China's desperate economic condition makes it necessary to support value of Chinese currency and maintain the exchange rate.

He inquired whether I had studied problem of China's financial difficulties. I replied that we endeavor to follow financial situation with such information as is available and that one aspect, from the American point of view, which had of late given me much concern was the effect of the exchange rate on American official expenditures to service the military forces with which we are aiding China; those expenditures are now reaching heavy figures and, converted at the

⁷ George Atcheson, Jr., Counselor of Embassy in China.

⁸ Secretary General of the Chinese Supreme National Defense Council.

artificial exchange rate, are costing our Government 20 or more million U. S. dollars monthly which, while beneficial to China in building up currency reserve in U. S. represent costs to U. S. from 8 to 10 times what we should have to pay in America or anywhere else for comparable facilities and services, such as urgently needed advance air base facilities for our forces. I expressed concern that this becoming known in the U. S. might lead to serious criticism that the American Army and Government are being exploited and such criticism would work to the harm of China as well as to the injury of our war effort in this country.

Chiang indicated with firmness that exchange rate for Chinese dollars cannot be changed. I said I fully appreciated his attitude on that question but suggested that other proposals looking to solution of the problem, such as reverse Lend-Lease or suggestion Morgenthau had made to Kung regarding sale of gold, might be adopted without necessitating a change in exchange rate. Mme. Chiang said that Chinese Government's efforts to sell gold had been a failure; there was no market for gold. Chiang said he had been studying the matter of reverse Lend-Lease, that he and Kung were much worried over whole financial situation, that it is impossible to alter exchange rate and imperative that value of national currency be supported. He requested me to see Kung again and, just before retiring from the room in his customary way, asked with a show of some emphasis and exasperation that I inform our military and Treasury people that failure to support China's currency would result in both economic and military collapse of China.

During conversation Mme. Chiang indicated that Chiang's views in regard to seriousness of the situation had been presented to the President at Cairo. After Chiang's departure she spoke with great emphasis of China's economic difficulties, said somewhat bitterly that China was paying about 200 Chinese dollars daily for maintaining every American soldier in China, indicated that as our forces increase the cost would become unbearable and added that it was becoming more and more impossible to find enough cows, pigs and chickens to feed American troops (to supplement the quantities of supplies we ourselves ship in). She said that it was absolutely essential that Chinese currency receive sufficient backing.

(2) I am of the opinion that stage had been set last evening for seeking State Department support for request for further American loan and that such request was not made because of the diversion to subject of our military expenditures. Stilwell informed me December 20 that Chiang had asked for a billion dollar loan⁹ and was

⁹ For President Roosevelt's attitude on this subject at Cairo, see his conversation on December 6 with General Stilwell; Theodore White (ed.), *The Stilwell Papers* (New York, William Sloane Associates, Inc., 1948), pp. 251-254.

expecting an answer that day. He told me that and no more. I assume request was made in connection with military discussions and through military channels.

It is unfortunate that Embassy is not kept fully informed of what transpires in Sino-American relations.

Embassy's opinion regarding further loan to China at this time was carefully set out in my 2361, December 9. I am strongly of opinion that we should stand firm on the subject at this time.

X (3) I have no information regarding military plans for a Burma campaign designed to restore land transportation to China which experts here consider the only possible measure for amelioration of fantastic economic situation. I am prepared to believe that while the masses of the people are not concerned by the foreign exchange rate, any substantial change therein would be availed of by hoarders and speculators still further to accelerate rising prices.

Chinese Government has actually done nothing substantial to seek out and deal with these hoarders and speculators. I believe, however, that China has substantial U.S. currency reserves at this time and that reasonable measure to meet the situation affecting our military expenditures in China might be taken without reference to exchange rate as such, probably within the structure of reverse Lend-Lease and sale of gold.

While I do not pretend to pass judgment in military matters, I should emphasize what we have previously and repeatedly reported: that the military and economic situations in China are so fast deteriorating that early military measures to reopen the Burma Road and restore land transport to China are imperative to prevent collapse of this country in due course. An American loan will not help the economic situation in China at this time; extensive successful military operations alone will do so.

GAUSS

893.51/7725

Document Prepared in the Department of State

[WASHINGTON,] December 27, 1943.

Reference Mr. Gauss' "Secret—Not for Distribution" telegram 2478, December 23, 3 p. m.; the Secretary of the Treasury's letter to the Secretary of State of December 20, and Mr. Gauss' "Strictly Confidential . . .¹⁰ Not for Distribution" telegram 2361, December 9, 3 p. m.: all bearing on the subject of an intimated request by the Chinese Government for a loan by the United States Government of \$1,000,000,000.

¹⁰ Omission indicated in the original.

The indications are that the Chinese Government has applied to this Government for a loan of \$1,000,000,000, and this memorandum will be posited on an assumption that such is the fact.

The problem which is thus presented is one of very wide and very serious import. It is important in economic, in political and in psychological aspects. It calls for most careful consideration both as regards the substance of the decision at which this Government may arrive and as regards the handling of the decision in the field of diplomatic action. The economic features of the question presented are of substantial importance, but comparatively speaking the political and psychological features are capable of being, from the long- swinging point of view, of considerably greater ultimate consequence.

In its telegram of December 9, the Embassy at Chungking, in anticipation, stated: "We here perceive no sound basis, political or economic, for supporting any such loan proposal at this time"; and the Embassy expressed itself vigorously and categorically in support of that view as regarded political and psychological considerations reflective of its appraisal of the present situation within China. In his memorandum for the President of December 18, the Secretary of the Treasury discussed the question from the economic point of view and, in the light especially of experience of recent years, advanced the opinion "that a loan is unnecessary at this time and would be undesirable from the point of view of China and the United States."

In its telegram of December 23, the Embassy at Chungking, reporting on a conversation with President Chiang and Madame Chiang, reaffirms the position which it took in its telegram of December 9, expresses the opinion that "An American loan will not help the economic situation in China at this time", and emphasizes the view that "extensive successful military operations alone will do so."

There are indications that the subject of this loan was broached by Chiang at the Cairo Conference. There have been heard rumors to the effect that Chiang was given encouragement to believe that the requests by China for such a loan would meet with favorable response. There are indications, also, that Chiang strongly urged that a campaign for the reopening of the Burma Road be embarked upon at once; and rumors have been heard and have been seen in print to the effect that Chiang was told that this could not be done. Whatever the facts may be so far as the Cairo Conference is concerned, China's desire for a loan has apparently been formally expressed and operations for the reopening of the Burma Road have not been embarked upon. ✕

Granting that a loan by the United States to China at this time, if made, could not be defended and would not be justified on economic grounds, and accepting at face value—for purposes of this discussion—

the appraisal given by the Embassy of the present political and military situation within China, there remains imperative need to consider the broad and the long-swing political and psychological aspects of the problem which is presented by President Chiang's approach and China's request.

During the past two years, and especially within recent months, the Chinese have been given, in appearance at least, a preferred position among the United Nations; they have been accorded a place as one of the four powers among and by whom leadership is assumed and of whom leadership is expected toward the winning of the war and establishing of an international organization for the safeguarding of the security and the advancing of the welfare of the United Nations. During a longer period, the Chinese, in their resistance to Japan have received encouragement and support from the United States. In the according to the Chinese by official action of their new position in world affairs the United States has taken a leading part. In regard to the problem of victory over Japan and the problem of security arrangements thereafter in Southeastern Asia and the Pacific, China and the United States have greater concern than have any other powers, and, the concepts and desires of China and of the United States more nearly coincide than do those of any other powers. China and the United States take China more seriously and we evaluate China's potentialities more highly than do any other powers. The Chinese have come to expect of the United States sympathy, friendly cooperation and generous support.

OBJECTIVE

In the postwar world the attitude of and the position taken by the Chinese is going to be of importance in the alignment of the powers. In the relations of the United States, Great Britain and the Soviet Union there are bound to be stresses and strains. The Soviet Union is in all probability going to be powerful. The Soviet Union is in all probability going to create problems for Great Britain, create problems for the United States, and create problems for Great Britain and the United States. There is in all probability not going to be clear sailing in relations between Great Britain and the United States: there will be competition and controversy in regard to matters economic and in regard to matters political. The attitude of China vis-à-vis Great Britain and the United States and the Soviet Union will be of importance. That China be a well-disposed member of the "Big Four" combination is desirable. But, that, when there comes stresses and strains in the relations of the United States with, on the one hand Great Britain and with, on the other hand the Soviet Union, China be well disposed toward the United States is, from point of view of United States interests and concerns, even more imperatively desirable.

Notwithstanding the fact that Great Britain and the Soviet Union have assented—though somewhat grudgingly—to the giving to China

of a place in the "Big Four" group, the Chinese have been and continue to be suspicious of Great Britain and apprehensive of the Soviet Union. The Chinese have been and are very little suspicious of the United States and not at all apprehensive of the United States; they have, comparatively speaking, confidence in us and they are, comparatively speaking, well disposed toward us. As friendship between nations goes, it can accurately be said that the United States and China are natural and actual friends and allies. As community of interest between nations goes, it can accurately be said that in regard to the defeat of Japan and in regard to establishing conditions of security and welfare in and around the Pacific Ocean the United States and China have a primacy of common interest.

It is important, especially for postwar purposes, that the present attitude of the Chinese toward the United States be maintained. It is important that nothing be allowed to develop from which it might result that China withdraw from confidence in and reliance upon the United States, and move into a position of reliance upon the Soviet Union or acceptance of the Japanese thesis that oriental peoples must combine in opposition to the influence of occidental peoples. In the postwar period, the United States will need, in connection with relations with Great Britain and in connection with relations with the Soviet Union the good will of China toward her major associates and particularly toward the United States.

We and our allies are still at war. The military experts say that we have a considerable distance to go before victory over the Nazis and a long distance to go before victory over Japan. So long as we remain at war, military considerations come first, political considerations second and economic considerations third in order of assessed importance. That being the case, the military and political aspects of the question of a loan now to China take precedence over the economic aspects. In connection with the military and political considerations, psychological factors are of substantial importance.

It therefore is imperatively desirable that the military, the political and the psychological aspects of this Chinese request for a loan be examined from every angle and in all their bearings, both short-swing and long-swing.

Should a decision be made not to respond favorably to the Chinese request, the problem how most diplomatically to say "no" should be carefully considered and skillfully handled.

II

There is warrant for serious doubt whether we should under any circumstances give to this Chinese request a flat refusal. It is believed

that we might to advantage explore and act upon the possibility of taking advantage of this request as a springboard or even a foundation for a negotiation with the Chinese envisaging a meeting by them of certain needs and desiderata of ours in exchange for a loan by us to them of a part at least of the amount which they request. We should keep in mind the fact that at the time when the loan which we made them some time ago of \$500,000,000 was under discussion point was made on both sides that in all probability there would arise a need and a request on the part of the Chinese for another loan, and that then and subsequently there has been consideration of ways and means whereby further assistance by this country to China might be afforded. It should also be kept in mind that in order to be in position to grant such a loan to China, in any amount, the executive branch of this Government will have to go to the legislative branch—which fact gives us the basis on which to explain to the Chinese the necessity for taking time to consider the matter.

Even in this period of large financial outlays, a request by China for a loan of \$1,000,000,000 is a large request and, as a proposal, should be scrutinized in a large way. Were a proposal comparable to this made to a private banking firm, it may be assumed that in all probability the firm thus approached would assign to several of its best men the task of making an exhaustive study of the proposal. Our problem is by no means exactly analogous to that with which those men would be dealing—for, they would be considering their problem almost exclusively from a financial point of view; yet, they would be taking into consideration political as well as economic factors; our concern, however, is broader than would be theirs and, for that reason, the study which we should make of the question should be even more careful than that which they would make were the problem theirs. This leads to a query of whether a practical way of going about dealing with this question might not be that of choosing and sending to China to look into this matter a commissioner or a group of commissioners who might confer with Chinese officials and with American authorities on the spot, make as thorough a study as time and conditions would permit of the situation, and make recommendations both to us and to the Chinese in the premises. A variant might be the establishing of a joint American-Chinese commission to study the question and make recommendations. An additional but very important function of a joint American-Chinese commission might be a study of China's post-war reconstruction problems and a formulation of a detailed and balanced program containing an analysis of China's transportation, industrial and agricultural needs and suggesting methods of providing funds and matériel to meet those needs.

A loan, if granted, would thus be linked with the important objective of American collaboration in the post-war reconstruction of China, and the joint commission might perhaps be used as an agency for initiating such collaboration.

In any event, from the political point of view, it is strongly urged that in our consideration of this Chinese request we go beyond mere consideration of the question whether China at this moment needs such a loan and whether such a loan now would serve useful immediate economic and political ends, and that we address ourselves to the question whether we might not make the fact of this Chinese approach become of service to us in pursuit of important ends which are both of short-swing and of long-swing concern to us; and that we by all means endeavor to avoid having to give the Chinese anything in the nature of a flat refusal.

893.51/7725

The Secretary of State to the Secretary of the Treasury
(Morgenthau)¹¹

WASHINGTON, December 29, 1943.

MY DEAR MR. SECRETARY: There is enclosed for your confidential information and consideration a paraphrase of a secret telegram of December 23, 1943 from the American Embassy at Chungking¹² in regard to a conversation which Ambassador Gauss had with President Chiang Kai-shek on December 22 on the subject of China's critical economic position.

I shall be glad to receive any comments that you may care to make concerning the contents of the enclosed telegram.

Sincerely yours,

CORDELL HULL

893.51/7734

The Secretary of the Treasury (Morgenthau) to the Secretary of State

WASHINGTON, December 31, 1943.

MY DEAR MR. SECRETARY: This is to acknowledge receipt of your letter of December 29th enclosing telegram of December 23, 1943 from Ambassador Gauss. I appreciate your sending me this telegram and have found it of considerable interest.

¹¹ Copy transmitted on the same date to the Secretary of War (Stimson).

¹² Telegram No. 2478, p. 482.

I see that Ambassador Gauss is in agreement with the views expressed in our Memorandum to the President, copy of which I sent to you in letter dated December 20, 1943.

It would seem that no further steps can be taken regarding the Chinese request for a loan until we have received a reply to our Memorandum which, as you probably know, the President said he was going to forward to President Chiang Kai-shek.

Sincerely yours,

H. MORGENTHAU, JR.

AID TO CHINA UNDER THE LEND-LEASE PROGRAM¹ ✓

893.24/1482 : Telegram

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

CHUNGKING, January 5, 1943—1 p. m.

[Received 4:57 p. m.]

16. From Alsop,² for Stettinius,³ Lend-Lease. Orchard⁴ only: Following is summary of situation here based on careful exploration with General Stilwell,⁵ Dr. Soong,⁶ Embassy, other relevant authorities.

1. Preparations now underway for Burma campaign to be launched at specified date. These preparations plus requirements of Air Force are using every pound of every ton Air Transport Command can carry. Military pressure for space on air transports into China will increase geometrically until China operation finishes. With most minor exceptions none of our goods have slightest chance of being brought into China by air in wartime.

2. Northwest highway via Iran, Russia and Sinkiang seems increasingly dubious means of bringing substantial quantities of goods into China. Adequacy of existing transport facilities through Iran now in grave doubt. Chinese authorities taking position that in any case highway should primarily supply armies near Sian although prospect these will soon fight Japanese is most remote. Finally General Stilwell privately informs me he will probably have to take for his own uses most trucks intended for northwest highway.

3. Betting even, Burma offensive cannot be immediately initiated. Delay will entail further wait for monsoon season deferring action until January 1944. If begun tomorrow fighting will require several months and many months thereafter will be used in building or reconditioning approaches to Burma and Lashio and reconditioning Burma Road proper.

Estimated minimum interval from initiation of offensive to delivery first goods in Kunming 10 months and 12 more probable. Moreover

¹ Continued from *Foreign Relations*, 1942, China, pp. 573-590.

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 Lend-Lease aid to China.

² Joseph W. Alsop, Jr., Chief of Lend-Lease Mission to China.

³ Edward R. Stettinius, Jr., Lend-Lease Administrator.

⁴ John E. Orchard, Senior Assistant Administrator, Lend-Lease Administration.

⁵ Gen. Joseph W. Stilwell, Commanding General, United States Army Forces in China, Burma, and India.

⁶ T. V. Soong, Chinese Minister for Foreign Affairs.

operation of road will be wholly in Army hands and General Stilwell is unshakably determined to carry in nothing not of direct military value. He asserts road will be inadequate supply line even with most stringent restrictions.

4. Under circumstances feel strongly that reconsideration of our China program is urgently desirable. Many items intended for wartime use in China cannot possibly be imported. Conversely have learned of need for certain categories of items which will be approved for wartime importation and should be sponsored by Lend-Lease but are not in program. Had hoped carry work through primary stages here with aid of data requested in my number 1539, December 23⁷ but am now fully convinced this impossible owing my lack background and almost total ignorance of all civilian Lend-Lease projects among General Stilwell's staff. Moreover feel questions of policy involved too serious and farreaching for me to handle without prior consultation with you. Think satisfactory policy can be laid down and machinery organized to implement it with reasonable ease after consultation but consider consultation absolutely necessary prerequisite.

5. Therefore convinced should return promptly to Washington for consultation. Have talked with Doctor Soong, General Stilwell and Embassy and all agree this is wisest course. Doctor Soong has offered me place in his plane if he returns soon. Impossible summarize situation adequately in cable but earnestly hope you will accept my recommendation. In any case am positive usefulness here nil until after Washington talks. Consequently trust response will be early and favorable. Also request authority return by Army transport if Doctor Soong's departure delayed as his plans most indefinite. Regards. [Alsop.]

GAUSS

898.515/1545b : Telegram

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

WASHINGTON, January 5, 1943—4 p. m.

24. For Adler⁸ from the Secretary of the Treasury.⁹

Part I.

1. Mr. Hsi Te-mou¹⁰ called on the Treasury on December 29, 1942 regarding the possibility of lend-leasing silver to China for coinage purposes. He said that he had been instructed by Dr. Kung¹¹ to raise this matter with the Treasury.

⁷ Not printed.

⁸ Solomon Adler, American alternate member of Chinese Stabilization Board.

⁹ Henry Morgenthau, Jr.

¹⁰ Representative of Chinese Minister of Finance on mission to United States.

¹¹ H. H. Kung, Chinese Minister of Finance.

2. The Treasury and other interested agencies have been considering the possibility of lend-leasing silver to members of the United Nations for coinage purposes. The terms on which the United States would be willing to lend-lease silver have not yet been completely determined but it is probable that the lend-leased silver will have to be returned on an ounce-for-ounce basis within a fairly reasonable period after the war. The lend-leasing of silver to members of the United Nations for coinage purposes is designed chiefly to overcome difficulties created by the presence of large numbers of American troops in certain countries.

3. Mr. Hsi was informed that the Treasury felt that under present circumstances the lend-leasing of silver would not seem to be practical and feasible largely because of shipping and minting difficulties involved. The United States minting facilities are already overtaxed and the trend here is to decrease as much as possible the minting of coins requiring silver and other metals needed for the war effort.

4. Please inform Dr. Kung of the above.

Part II. For your information, the consideration[s] which guided the Treasury in coming to the above conclusion on lend-leasing silver to China were:

1. In order to have any effect on the situation in China, China would probably require very large amounts of silver. This raises problems both as to shipping the silver and minting the silver into coins.

(a) It is difficult to see how, under present conditions, large shipments of silver could be arranged.

(b) It is presumed that most of the minting would have to be done in the United States. Our minting facilities are already overtaxed. Furthermore, the minting of silver coins requires alloys which are in short supply at present and the trend here is to decrease as much as possible the minting of coins requiring metals needed for the war effort.

2. It is likely that any coins released for circulation in Free China would practically immediately go out of circulation into hoarding. Furthermore, it could be expected that the silver content of the coins would soon be worth more than their face value, and, therefore, the coins would be melted down for their silver content. Unless coins were issued in very large amounts, it could not be expected that the hoarding of such silver coins would have any appreciable retarding effect on the rise in prices.

3. The lend-leasing of silver would require a special arrangement and could not be done under the existing lend-lease agreement.¹²

4. China would have to return the silver on an ounce-for-ounce basis after the war. Of course, there is the possibility that China

¹² Signed at Washington, June 2, 1942, 56 Stat. 1494; see also *Foreign Relations*, 1942, China, pp. 566 ff.

could purchase silver after the war to meet any obligation incurred under such an arrangement, but there is no guaranteeing what price she would have to pay for such silver.

5. In certain countries, such as Australia, the presence of large numbers of American troops, coupled with the increased need for coins because of increase in production and rise in national income has led to shortages of coins which threaten to diminish the economic capabilities of such countries. It is presumed that China does not fall within this category. [Morgenthau.]

HULL

893.24/1541

Memorandum by Mr. Troy L. Perkins of the Division of Far Eastern Affairs

[WASHINGTON,] January 22, 1943.

ADDITIONAL RECENT STATEMENTS BY PROMINENT AMERICANS PROMISING AID AND MAKING OTHER COMMITMENTS TO CHINA

Lieutenant General J. W. Stilwell:

On July 2, 1942 General Stilwell sent the following telegram to Mr. Paul G. Hoffman, National Chairman of United China Relief, New York City:

"I have seen the Chinese fighting and I have heard them talking about America. And in their bitter, relentless struggle I know how much they are looking to us Americans for our help and support and encouragement. Some of our men are fighting in China now and more will be coming. Some of the planes and guns Americans are making now will be used by Chinese on Chinese soil."

*Mr. Lauchlin Currie:*¹³

In an address at Chungking before the Chinese-American Institute of Cultural Relations on July 30, 1942, Mr. Currie, Administrative Assistant to the President, according to press reports, said:

"Japan knows and fears our ability to fulfill our pledge to deliver to China's veteran armies and experienced generals the striking power that will turn your long and glorious war of resistance into the offensive campaigns that lead to final victory.

"With that pledge I can fittingly close for the pledge was given by President Roosevelt himself when he said, '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.'"¹⁴

¹³ Administrative Assistant to President Roosevelt on a mission to China.

¹⁴ President of the Chinese Executive Yuan (Premier).

Department of State:

The statement released to the press by the Department of State on August 12, 1942 on the subject of India begins:

"The following statement of this Government's policy has been made a part of the orders to the American military forces in India:

"1. The sole purpose of the American forces in India is to prosecute the war of the United Nations against the Axis powers. In the prosecution of the war in that area the primary aim of the Government of the United States is to aid China.'"

*Mr. Wendell Willkie:*¹⁵

In a speech to a mass meeting of teachers and students of nine universities in Chengtu, China on the campus of the West China Union University on October 2, 1942, Mr. Willkie, according to the Chinese Central News Agency, said:

"But may I say to you, who were the first to resist the attack of the aggressors: you have paid the full price for victory. Now we must take up the burden you have been carrying, we must help you fight, and we must help you to the limit of the resources of our country."

According to a Central News Agency report, Mr. Willkie in an address to 1,200 public functionaries undergoing training at the Central Training Corps at Chungking, on October 3, 1942, stated:

"Since you have fought this war against aggression for five years, it is the duty we owe you to get the planes and the weapons to China as rapidly and as much as possible."

In a speech at a reception given in his honor by Chinese cultural organizations in Chungking on October 6, 1942, Mr. Willkie is reported by the Central News Agency to have stated:

"After this war, China, America and all other nations that are willing to join will see to it that the people of different nations will live a free life without outside intervention. Not only that. Every nation must open up its resources for all other people, irrespective of race and creed. To that cause I dedicate my life and I call upon you cultural organizations to aim at such a good [*goal?*]."¹⁶

According to the Central News Agency, Mr. Willkie in a radio broadcast to the Chinese people, made at the invitation of the Chinese-American Institute of Cultural Relations at Chungking on October 6, 1942, said:

"I came to China . . .¹⁷ because in my judgment the hope or the failure of mankind in the coming centuries will be determined by

¹⁵ Republican nominee for President in 1940, who visited China and other countries in behalf of the war effort in 1942.

¹⁶ Brackets appear in the original.

¹⁷ Omissions in this memorandum indicated in the original.

whether or not those men who assume leadership have the wisdom, the vision and the imagination to solve the problems of the Great East in terms of human values, in terms of freedom, in terms of loss of empire and imperialism. America, great free America, which is pouring out its treasures, which is pouring out its resources to help all who fight with it, owes a much greater duty than merely the contribution of ammunition and armaments and airplanes to the people over here who have fought for five years. We owe much more than that. We owe the duty to join nations such as China to see this problem over here is worked out so that China can be completely free, so that other peoples who are now under domination can be completely free." [Later in the speech Mr. Willkie said: "Although I have no authority to speak for all the people of the United States, I can speak for myself."] ¹⁸

Mr. Willkie is reported by the Central News Agency to have said in a prepared statement issued to the press at Chungking on October 7, 1942:

"China and Russia . . . each has engaged and held with heroic tenacity powerful and ruthless enemies. It is both just and wise for us to see to it that they secure an equitable share of our arms production.

"We believe this war must mean an end to the empire of nations over other nations. No foot of Chinese soil, for example, should be or can be ruled from now on except by the people who live on it, and we must say so *now*, not after the war."

Vice President Wallace:

In a broadcast to China on United Nations Day (June 14, 1942), the following text was delivered as a message from Vice President Wallace to China:

"Our partnership with you, and with the other United Nations, goes beyond the necessities of winning the war. We look with clear eyes at the peace which must follow. We shall fight for a complete peace as well as for a complete victory.

"We have confidence in each other because we know that we have a common goal—and we will reach that goal."

In an address at the rally of the Congress of American-Soviet Friendship at Madison Square Garden, New York, on November 9, 1942 Vice President Wallace said:

"Undoubtedly China will have a strong influence on the world which will come out of this war, and in exerting this influence it is quite possible that the principles of Sun Yat-sen will prove to be as significant as those of any other modern statesman."

In a radio address on December 28, 1942 commemorating Woodrow Wilson's birthday the Vice President said:

¹⁸ Brackets appear in the original.

"As territory previously overrun by the Germans and the Japs is reoccupied by the forces of the United Nations, measures of relief and rehabilitation will have to be undertaken. Later, out of the experience of these temporary measures of relief, there will emerge the possibilities and the practicabilities of more permanent reconstruction.

... We must recognize, for example, that it is perfectly justifiable for a debtor, pioneer nation to build up its infant industries behind a protective tariff. . . .

... The United Nations must back up military disarmament with psychological disarmament—supervision, or at least inspection, of the school systems of Germany and Japan, to undo so far as possible the diabolical work of Hitler¹⁹ and the Japanese war lords in poisoning the minds of the young."

President Roosevelt:

In his annual message to Congress (78th Congress) on January 7, 1943 President Roosevelt stated:

"And in the attacks against Japan we shall be joined with the heroic people of China, that great people whose ideals of peace are so closely akin to our own. Even today we are flying as much Lend-Lease material into China as ever traversed the Burma Road, flying over mountains 17,000 feet high, flying blind through sleet and snow.

"We shall overcome all the formidable obstacles and get the battle equipment into China to shatter the power of our common enemy. From this war China will realize the security, the prosperity and the dignity which Japan has sought so ruthlessly to destroy.

"The period of our defensive attrition in the Pacific is drawing to a close. Now our aim is to force the Japanese to fight. Last year we stopped them. This year we intend to advance."

Lend-Lease Administrator E. R. Stettinius, Jr.:

In a report to the Congress on January 25, 1943, on Lend-Lease aid, Lend-Lease Administrator Stettinius said:

"We have now taken measures which are considerably increasing . . . plane shipments and we shall also find other means to get to China the arms she needs."

President Roosevelt:

According to newspaper reports of the press conference held by President Roosevelt following the end of the Casablanca conference on January 24, 1943,²⁰ among the decisions reached at the conference, as stated by the President, were extension of assistance to China, and prosecution of the war in the Pacific in order to end Japanese aggression for all time.

¹⁹ Adolf Hitler, German Chief of State, Führer, and Chancellor.

²⁰ The records of the Casablanca Conference are scheduled for publication in a subsequent volume of *Foreign Relations*.

893.24/1527a : Telegram

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

WASHINGTON, February 10, 1943—10 p. m.

211. 1. A radio transmitter requested by the Chinese in November 1941 under Lend Lease and approved by the appropriate agencies of this Government has been completed and is ready for shipment. During the latter part of 1942 the question of diverting this transmitter for the use of agencies of this Government arose. At that time inquiry was made of Dr. Alfred C. Sze,²¹ in the absence of Dr. Soong, in regard to the importance attached by the Chinese Government to this equipment. Dr. Sze informed the Department that the transmitter was intended for use partially for broadcasting within China and also to maintain continuous communication with the United States and that the need for the transmitter was both important and immediate. These and other factors were given careful consideration by the appropriate departments of this Government, including the War Department, and it was unanimously agreed that this equipment should not be diverted but be shipped to Chungking with as little delay as possible. The Department has now been informed that in a message dated January 26 received by the War Department, General Stilwell stated that shipment of this equipment, which he referred to as a psychological warfare radio transmitter, would mean the abandonment of various vital projects and he strongly recommended, in view of air transport limitations, the indefinite postponement of the shipment until such time as land communications are reopened.

2. While the Department is fully aware of the limitations imposed on the shipment of supplies by air and of the consideration that other supplies may be more vital and necessary, it believes, in view of the delicacy at the present time of the question of the shipment of supplies to China, that it would be advisable, if the Embassy perceives no objection, to bring to the attention of Dr. Soong or to a member of the Generalissimo's staff the difficulty of shipping this transmitter into Chungking in the immediate future in view of the considerations mentioned by General Stilwell. It is also suggested that the Embassy ascertain whether the transmitter is urgently needed, the relative importance attached by the Chinese authorities to this equipment and, having in mind the Embassy's 845, July 16, 1942, 10 a. m.,²² the purpose for which the Chinese intend to use it.

3. It is suggested that before taking this matter up with Dr. Soong or other Chinese officials you discuss it with General Stilwell and

²¹ Sao-ke Alfred Sze, former Chinese Ambassador in the United States.

²² *Foreign Relations*, 1942, China, p. 584.

that he be informed of the history of the matter here, the effort made, the decision arrived at, and the Department's present suggestion and the reasons therefor.

Please report developments and make such comment as you may desire.

HULL

893.24/1527a : Telegram

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

WASHINGTON, February 11, 1943—6 p. m.

212. Department's 211, February 10, 10 p. m. in regard to radio transmitter. Department is now in receipt of a communication from the Munitions Assignment Committee stating that in view of General Stilwell's recommendation that shipment of transmitter be postponed to the indefinite future, the Committee has unanimously recommended to the Munitions Assignment Board that assignment of the transmitter to China be cancelled; that the Chief Signal Officer retain control of this equipment but be instructed to permit the Office of War Information to use transmitter until such time as further action is taken by the Committee in regard to assignment to China; and that when shipping is available to Chungking reconsideration be given by the Committee to matter of assignment of transmitter to Chungking.

Unless you perceive urgent reasons for discussing the question of the radio transmitter with General Stilwell and Chinese officials the Department desires, in view of the foregoing, that this matter be held in suspense pending Dr. Soong's return to Washington.

HULL

893.24/1572

Memorandum of Conversation, by Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] February 12, 1943.

Participants: Mr. Ray of Lend-Lease;
Mr. Stanton;²³
Mr. Hiss.

Reference: attached copy of a Lend-Lease memorandum which Mr. Ray left with me today.²⁴

²³ Edwin F. Stanton, Assistant Chief of the Division of Far Eastern Affairs.

²⁴ Not printed.

With particular reference to item 4 (a) Mr. Ray stated that he had been informed yesterday by the Air Transport Command that the schedule for large increases in air freight capacity on the Chinese-India run in 1943 has already been postponed for three months. Specifically he said that it had been planned beginning in March to send to India 10 transport planes a month. This has now been postponed until June. Mr. Ray said that he believed additional whittling down of the proposed schedule was under consideration. In discussing this matter with Mr. Stanton and me Mr. Ray said that he thought that a letter from this Department to the Secretary of War on the subject might be helpful and that he thought the Department could verify his statements by conferring with Colonel Mason of the Air Transport Command who, he believed, would not hesitate to inform the Department of the above developments. Mr. Hornbeck, who came in for a moment while Mr. Ray was present said, in this connection, that he thought consideration of this whole matter would now have to await General Arnold's²⁵ return to this country.

Without further reference to item 4 (a) Mr. Ray said that the supplies he had in mind included arsenal material, actual munitions, spare parts for motor vehicles and the like. It might well also include, he said, items in which the Chinese expressed special interest such as the radio transmitter which has been the subject of recent consideration. Many of the supplies he has in mind are, he said, already in India. In answer to questions, Mr. Ray seemed to indicate that, short of consultation with Dr. T. V. Soong upon Dr. Soong's arrival in this country, there is no way of being sure that we know what items the Chinese wish assigned priority. He agreed that there are in general three important categories of supplies which the Chinese themselves desire to have flown into China: (1) supplies which General Stilwell considers essential for his planned offensive in Burma; (2) supplies needed for maintaining and increasing the activities of General Chennault's air force in China and (3) Lend-Lease supplies destined for the Chinese themselves. So far as Mr. Ray knew there is no authoritative indication as to the proportion of total air freight space which the Chinese desire to be accorded to each of these three categories of supplies. Presumably the Chinese want more space for each of the three. However, when the issue is one of relative priority as between these three categories, it is probable that only Dr. Soong or the Generalissimo can speak with authority and in any particular case the authoritative views of the Chinese Government may likely raise delicate questions as to the appropriate jurisdiction in this field of various United States authorities such as General Stilwell, General Chen-

²⁵ Henry H. Arnold, Commanding General of United States Army Air Forces.

nault,²⁶ the War Department, the Lend-Lease Administration, the Munitions Assignments Board and this Department.

893.24/1581

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] February 20, 1943.

In his report of January 25, 1943 to the Congress of the United States, the Lend-Lease Administrator, Mr. Stettinius, made this statement:

"Aid to China

"Lend-lease aid to China in 1941 was aimed especially at improving transport over the Burma Road. It resulted in more than doubling monthly tonnage carried over the route. Even then, however, transportation difficulties kept total shipments comparatively small. Following the loss of Burma, shipments to China were reduced to a trickle, carried principally by cargo planes from India. We have now taken measures which are considerably increasing these plane shipments and we shall also find other means to get to China the arms she needs." What, in the light of the fact that at the time when lend-lease program include some planes, most of them fighters and trainers, several thousand trucks and some ordnance, ammunition, gasoline, medical and miscellaneous supplies."

(Pages 39-40 of the official text.)

Comment: Attention is called especially to the statement: "We have now taken measures which are considerably increasing these plane shipments and we shall also find other means to get to China the arms she needs." What, in the light of the fact that at the time when those words were published and ever since, the American Government was and is still declining to send additional transport planes for service into China and to allocate trucks for service into China, are Americans and Chinese who are concerned with "deeds rather than words" and who know the facts to infer from these words?

S[TANLEY] K. H[ORNBECK]

893.24/1548: Telegram

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

CHUNGKING, March 15, 1943.

[Received 12:10 p. m.]

369. Chinese press welcomes extension of Lend-Lease program and urges American Government to do its best to aid China despite trans-

²⁶ Brig. Gen. Claire L. Chennault, commanding United States Air Task Force in China.

portation difficulties. *National Herald* says value of Lend-Lease Act should not be appraised merely in terms of material supplies, for psychological effect has also been extremely beneficial. It is arranged under which United Nations are assisting one another both materially and spiritually. It is common knowledge that China has not been given aid commensurate with her requirements, a fact openly admitted by Lend-Lease Administrator Stettinius, but there are now unmistakable indication[s] that United States will lose no time in rushing aid to China. One sign is formation of Fourteenth Air Force under General Chennault which indicates that more American planes will be sent to China to attack Japanese invaders and Japan proper.

Hsin Min Pao states that in view of American plane production capacity increasing air freight service to China should present no outstanding difficulties and that while China appreciates enthusiasm and eagerness of American Government and people to aid China she hopes that more concrete steps may be taken to overcome transportation difficulties.

VINCENT

893.24/1556 : Telegram

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

CHUNGKING, March 20, 1943.

[Received 9:44 a. m.]

410. *Ta Kung Pao* strongly supports statement by Dr. T. V. Soong at Lend-Lease Act²⁷ anniversary luncheon that problem of Lend-Lease aid to China is essentially one of more transport planes. Editorial states China has made valuable contributions to Allied war effort and to American national defense in her war of resistance; that China has not received amount of Lend-Lease aid to which she is entitled; that gratification is felt at popular demand in United States for greater aid to China although no improvement has been made so far; that it is easier to provide transport planes than to recover Burma and reopen highway; and that responsibility for piling up of Chinese supplies in India does not lie with China or difficulty in transportation but with failure of United States to send adequate transport planes and to utilize fully Sino-India air route.

VINCENT

²⁷ Approved March 11, 1941; 55 Stat. 31.

893.24/1655

The British Embassy to the Department of State

AIDE-MÉMOIRE

His Majesty's Government in the United Kingdom are most anxious to do all in their power to assist the Chinese Government to obtain the non-military supplies which they require in order to maintain their war effort and have lately been considering whether there were any steps which could usefully be taken to facilitate the flow of such supplies to China. Hitherto the difficulties of transportation have greatly limited the amount of non-military supplies which it has been possible actually to deliver to China. However the increase in the carrying capacity of air transport between India and China and the prospect that it may at a not too distant date, be possible to deliver up to 1,700 tons of goods by the overland route, should, it is to be hoped, enable appreciably larger quantities of such stores to reach China in the future.

In any case it is to be anticipated that the Chinese authorities, encouraged by the prospect of improved methods of transportation, will endeavour to obtain very considerable quantities of non-military stores from the United States and to a lesser extent from the United Kingdom and other sources of supply. It will, however, be some time before the transportation position can be improved to any very appreciable extent and indeed, until a radical change in the military situation takes place it is to be feared that transportation facilities will always be inadequate to carry all the non-military supplies which the Chinese Government would wish to obtain.

In these circumstances, His Majesty's Government feel that it is very desirable that some kind of machinery should be set up with the object of ensuring that the delivery of Chinese goods to India (where there are said to be at the moment 75,000 tons of Chinese supplies lying awaiting transport) should be appropriately related to the capacity for on-carriage to China. Otherwise there is the risk of serious congestion and disorganisation occurring and of goods deteriorating through lack of storage space. His Majesty's Government also think it would be very helpful if some machinery were established which would make it easier to ensure that the goods actually procured for and furnished to China were those best calculated to be of immediate value. For example, 100 tons of spare parts or of scarce materials to enable Chinese industrial plants to continue operations might be of greater benefit to China than the shipment of a far larger quantity of finished goods. Finally, some machinery seems necessary to ensure that supplies agreed to be furnished to China from the United States or the United Kingdom are made avail-

able and delivered in order of importance and urgency. His Majesty's Government feel that the creation of some such machinery would not only be of great assistance to the Chinese Government, but would also be of real value to the United States and United Kingdom Governments, in that it would assure the co-ordinated placing of orders in the two countries and would facilitate the economical use of their production and shipping resources.

With this object, His Majesty's Government suggest the early setting-up of an Anglo-American "screen" at Chungking, consisting of one United States officer and one British officer—possibly from their respective Embassies—who would have the right to co-opt others as necessary. The Chinese Government would of course be represented on this body. Their representation could either be direct or through a liaison officer. This "screen" would, in fact, closely resemble the British-American-Co-ordinating Committee at Ankara and it is suggested that the procedure adopted in the case of Turkey should be followed as far as is practicable. All Chinese requirements of non-military supplies from abroad, except those from the U. S. S. R., but including those from India, should be notified to the proposed body for "screening". Orders approved by the "screen" would be submitted simultaneously to Washington and London. The authorities in London would await the comments of the United States authorities before arranging any procurement action as far as they were concerned.

It would, of course, be essential that the Chinese Government should approve of the setting-up of the "screen" and should agree to co-operate in the proper procedure. It is to be hoped, however, that they would be prepared to agree since this proposal would provide the means whereby early recognition could be given to their essential current and future needs and arrangements made to ensure proper priority being given to their most urgent requirements.

If this proposal is acceptable to the United States Government in principle, it would of course be necessary for the British and American authorities to work out the detailed instructions and terms of reference for the Chungking "screen". Its primary purpose would, however, be, as explained above, to control production of non-military supplies to China so as to ensure that the delivery of goods to India was related to the onward transport capacity and that the goods were delivered in order of their importance to the Chinese war effort.

His Majesty's Government trust that these proposals will commend themselves to the United States Government and that the latter will be prepared to join with them in making the appropriate representations to the Chinese Government.

WASHINGTON, July 27, 1943.

893.24/1688

Memorandum by the Assistant Chief of the Division of Far Eastern Affairs (Vincent) to the Assistant Secretary of State (Acheson) ²⁸

[WASHINGTON,] September 15, 1943.

MR. ACHESON: At the meeting held in your office on September 8, attended by Mr. Van Buskirk ²⁹ and Mr. Ray of Lend-Lease and Mr. Hiss, Mr. Kermit Roosevelt ³⁰ and myself, you will recall that there was some discussion of the political considerations involved in the proposals made by Mr. Van Buskirk and Mr. Ray for placing our program for Lend-Lease aid to China on a more stable and effective basis. Mr. Van Buskirk's proposal that Lend-Lease for China be placed upon a contractual basis analogous to the protocol we have with the U.S.S.R. was discussed but it seemed to be the consensus of those present that a protocol for China Lend-Lease was not advisable. The point was made that an attempt at this time to fix Lend-Lease aid for China in a protocol might result in dissatisfaction on the part of the Chinese in as much as the aid that could be promised on a contractual basis would probably fall below present Chinese expectations.

Mr. Ray then suggested formation of a committee of ranking officials whose duty it would be to review Lend-Lease aid for China in the light of such factors as transportation facilities to China, priorities, aid from other sources, requirements of our own military authorities, and political considerations bearing upon our relations with China, and on the basis thereof to reach conclusive decisions. The committee would include officials of the State and War Departments and of Lend-Lease, possibly under the chairmanship of Mr. Hopkins.³¹

The discussion developed the point that Lend-Lease had encountered and was encountering considerable difficulty in obtaining clearance for specific items of Lend-Lease aid to China through the War Department; that in numerous instances it was necessary, in order to overcome War Department opposition regarding items which Lend-Lease was already committed to furnish China, to submit the cases to Mr. Hopkins for decision. The purpose of the proposed committee would be to act somewhat as an advance clearing house for a program of Lend-Lease aid to China. It was felt that it might be possible to have the War Department committed in advance

²⁸ Initialed by Mr. Laurence E. Salisbury, an Assistant Chief of the same Division, and concurred in by the Adviser on Political Relations (Hornbeck).

²⁹ Arthur B. Van Buskirk, Deputy Lend-Lease Administrator.

³⁰ Assistant to the Assistant Secretary of State (Acheson).

³¹ Harry L. Hopkins, Special Assistant to President Roosevelt and Chairman of Munitions Assignments Board, United States and Great Britain.

to a schedule of aid to China which would simplify the problems of Lend-Lease.

It is recalled that during the discussion you expressed the opinion that one of the primary functions, if not the principal function, of the proposed committee would be to weigh political considerations against military and related considerations and, where there was a conflict, to make decisions which, while taking into account the attitude of the War Department, would be based upon broad policy.

It is believed that a continuance, and when possible an augmentation, of Lend-Lease aid to China along the lines of the program worked out by Lend-Lease is good policy. The amount involved is not of sufficient magnitude, it seems, to prove an embarrassment to our own military program. It is admitted that, until broader avenues of approach to China can be opened, the amount of Lend-Lease we can send to China will not have a substantial material effect upon the existing situation in China. However, the psychological effect of continued aid to China is important and worthwhile (the psychological effect of a reduction in Lend-Lease aid to China would be distinctly adverse). The economic situation in China is admittedly grave. Chinese confidence in our willingness to aid China in every way practicable goes a long way toward bolstering Chinese morale on the political and military fronts as well as on the economic front.

It is believed that the political considerations involved in our Lend-Lease aid to China are of sufficient importance to warrant the active support of this Department in furthering any sound proposal which the Office of Lend-Lease may advocate to maintain and augment the procurement of supplies for China. The suggested committee to review and make conclusive decisions with regard to Lend-Lease aid to China appears to be a sound proposal and to be deserving of support by the Department.

893.24/1656a : Telegram

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

WASHINGTON, September 16, 1943—6 p. m.

1296. Department has received from British Embassy memorandum containing proposal to establish American-British-Chinese organization at Chungking to screen Chinese requirements for non-military supplies from all sources except Russia. It is contemplated that proposed organization would function along lines already established in Turkey and certain African Territories. Under this procedure, statement of essential non-military import requirements would be prepared by joint screening authorities at Chungking. This would be

an agreed declaration of what was needed in China, but not a commitment as to what supplies could be made available. Statement would then be forwarded simultaneously to London and Washington for review by appropriate supply authorities. British recommendations concerning sources of supply and total quantities to be made available would be transmitted to Washington, where final program would be determined in agreement with representatives of Combined Boards.

Purpose of this procedure would be (1) to correlate delivery into India of goods destined to China with capacity for further transportation to China; (2) to make certain that supplies actually provided for China are those most urgently needed and that they are made available in order of their importance; (3) to ensure full coordination of orders placed in the United States and Great Britain to meet Chinese requirements. British have suggested that American and British members of joint organization might be appointed from respective Embassies, with authority to select others as necessary. Lend-Lease Mission to be attached to General Stilwell's headquarters will soon proceed to China, and arrangements would contemplate full cooperation between Mission and screening organization. Lend-Lease has recommended that its mission constitute American representation in screening group. British note also states that representation of Chinese Government on screening group might be direct or through liaison officer.

It is appreciated here that screening activities would have to be on restricted scale for some time, since transportation capacity is so limited. It is opinion of Department, Lend-Lease and Munitions Assignment Board that proposal warrants most careful consideration. We should appreciate your full comments, after consultation with General Stilwell or appropriate American military authorities. A prerequisite would of course be that Chinese Government approve the plan and cooperate in establishing appropriate procedure, but you should not discuss proposal with any representatives of Chinese Government until final American decision has been made and communicated to British Embassy here. Please telegraph comments.

HULL

[In connection with the telegram printed *supra*, Mr. Hornbeck, the Adviser on Political Relations, wrote the following memorandum on September 13, 1943:

"I am initialing this proposed telegram for the reason that it is an expression of an opinion of the Department. I wish, however, to make record again of my view that so long as this Government and the British Government decline to admit the Chinese to a membership

or an effective representation on the Munitions Assignment Board, the procedure of assigning munitions, etc. to China is going to continue to be a source of suspicion and cause of resentment to the Chinese, is going to be regarded by the Chinese as an evidence that we and the British do not wish or intend to treat China as a full partner in the war effort, is going to impede our effort to get maximum of cooperation from the Chinese, and is going to add straws to the diplomatic burden which is piling up in the political field and which will have to be carried in our relations with China in the postwar period. It would be a good deal easier to reason with the Chinese about the problem of distribution of munitions were the Chinese represented on the Board than it has been[,] is or will be while the Chinese are not there represented.”]

893.24/1689

Memorandum by the Deputy Lend-Lease Administrator (Van Buskirk) to the Assistant Secretary of State (Acheson)

WASHINGTON, September 20, 1943.

1. Lend-lease aid has been repeatedly promised by the President, “despite all odds to the Chinese armies and the Chinese people.” The Lend-Lease Administration has considered these promises as constituting a political as well as a military commitment.

2. When Lend-lease operations began, a broad program of military and non-military aid was scheduled for delivery via the Burma Road. The loss of the Burma Road made it necessary to reduce (1) procurement programs, (2) existing inventories and (3) shipping schedules to China. Such reductions properly impinged more heavily on the non-military than on the military portion of the program.

3. Military Lend-lease aid to China, since the establishment of the Stilwell Command, has consisted of supplies consigned to the Commanding General, USAF, CB&I, “for transfer to the Republic of China,” at his discretion and subject to his continuing supervision over use. This arrangement respecting military aid to China has been accepted by the Chinese, despite their understandable preference for treatment similar to that accorded the United Kingdom and Russia.

4. The non-military Lend-lease program consists of supplies requisitioned by China Defense Supplies, Inc. through the Lend-Lease Administration, consigned directly to Chinese authorities and transferred to them for their unsupervised use upon receipt. Included in this category are transport equipment for other than military operational use, and raw materials, equipment, and supplies for direct or indirect munitions production in China. To the extent that actual or

anticipated receipts of such materials provide tangible evidence of American support of the peculiarly Chinese war effort, they manifestly contribute to the confidence of the Chinese people in their own political and military leadership.

5. The reduction of the non-military Lend-lease program following the fall of Burma involved :

(a) placing of all transit stocks of China Lend-lease goods in India in U. S. Army custody, subject to diversions for U. S. Army or Indian use.

(b) commandeering for U. S. Army and Navy use of virtually all existing stocks of China Lend-lease materials awaiting shipment from the U. S.

(c) the suspension and subsequent cancellation of virtually all procurement operations then in progress.

6. This contraction in the OLLA ³² program has been accompanied by the development of an increasingly critical attitude on the part of the War Department towards the continuance of any non-military Lend-lease aid program for China. This attitude of the War Department is based on considerations (a) of short supply in the United States, and (b) of limited transport facilities into China. But even when supply is adequate, as in the case of Canadian ordnance, and transport is available, the attitude of the War Department is that equipment should be furnished directly to General Stilwell for use in China, and not directly to the Generalissimo. The War Department's attitude on these matters is governed entirely by military considerations. The Lend-Lease Administration feels that some non-military supplies should be furnished directly to the Chinese in fulfillment of a national political commitment, even though some military disadvantage may result.

7. The basic reason for the War Department position in respect to the delivery of Lend-lease supplies directly to China appears to be mistrust of Chinese efficiency in handling supplies made available to them without close supervision. Such mistrust, however well grounded, is ~~manifestly derogatory to China's sovereignty~~. To the extent that such mistrust works to prevent the transfer to China of otherwise needed, available, and deliverable supplies, it serves to nullify the commitments contemplated in our over-all relations with China and more specifically contained in our Master Lend-Lease Agreement with China.

8. Since the fall of Burma, the Lend-Lease Administration has undertaken :

³² Office of Lend-Lease Administration.

(a) to maintain in India a reserve stock of non-military supplies urgently needed and wanted for use in China by the Chinese themselves, ready for delivery to China as transport facilities improve.

(b) to support the Chinese development of the Northwestern Highway supply route.

(c) to support such expansion of air transport facilities into and within China as will permit continued deliveries of at least some non-military supplies for use in China by the Chinese.

(d) to sponsor and expedite the delivery of automotive spare parts and equipment required to service Chinese internal transport facilities.

(e) to continue procurement of severely restricted quantities of other non-military supplies (1) not already represented in India stockpile and (2) so urgently needed as to command high priority for early delivery to China.

(f) to plan increased procurement and forwarding of needed non-military equipment upon the development of transport facilities available for the movement of such supplies. Such plans encompass the provision of additional transport equipment, munitions chemical plants, power plants, oil refinery equipment, container manufacturing facilities, machine tools, and other items which have had to be deferred.

9. In these undertakings the Lend-Lease Administration has differed with the War Department in its analysis of the problem and a number of issues have been resolved only through appeal to the President either by the Chinese themselves or by OLLA. The frequent need for direct appeal to the President discredits the efficiency of the established routine relations between U. S. and Chinese supply agencies.

10. As intimated previously, the endeavors of the Lend-Lease Administration are based on political considerations and political pledges. These considerations are, however, ill-defined and urgently in need of authoritative review.

The State Department negotiates the basic agreements with China setting the terms of Lend-lease aid. The Lend-Lease Administration has regularly consulted the Department on all specific problems in which emphasis on political factors appears pertinent to the consideration of proposed China programs by the various agencies of the U. S. Government. Such consultations, however, have not been of such a character as to enable the State Department to review in a comprehensive manner the overall political implications of the non-military Lend-lease aid program for China. But even a comprehensive study of the State Department of the political considerations involved in Lend-Lease aid to China would not by itself provide the Lend-Lease Administration with a workable charter, for the State Department will not review any War Department decisions or actions based on purported military considerations. The War Department corre-

spondingly regards political considerations as not germane to its military program in the China Theatre, and modifies its supply decisions respecting China to conform with political commitments only under specific directives from the White House.

11. There is thus a need for the creation of an agency, perhaps in committee form, to be established with a directive from the President to review, in the light of both political and military considerations, the present status of our Lend-Lease program for China. Such a committee might be directed to prepare recommendations concerning the extent and nature of the non-military aid, if any, which should and can be undertaken during 1944 to the National Government of the Republic of China, apart from the Army Supply Program schedule of matériel for consignment to General Stilwell. Should such recommendations commend themselves to the President, this same committee might well be charged with the implementation of these recommendations in some such manner as the President's Soviet Protocol Committee operates. Whether the program adopted by the Committee should be communicated in full to the Chinese as a detailed and specific commitment implementing our unfulfilled general commitments, or whether its individual actions should be reported to them from time to time, is a matter which can be left for later decision.

12. The quantity of non-military supplies than [*that?*] can be delivered to China during 1944 appears likely to be small, possibly not exceeding 50,000 tons. Approximately this quantity of goods will be in stock in India for China Lend-lease account before the end of 1943. Present tentative plans of the Lend-Lease Administration call for maintaining approximately this level of supplies, by holding the ratio of new forwardings from the U. S. to the rate of deliveries to China by air and overland.

Past experience leads the Lend-Lease Administration to anticipate opposition from the War Department to the carrying out of even so modest a program. And there are certain classes of equipment, known to be urgently needed in China, the delivery of which to China in 1945 requires advance scheduling decisions before the end of 1943. Certain of these equipment projects represent attempted cash purchases by the Chinese Government in the United States; others are long deferred Lend-lease projects at one time favorably considered by the Lend-Lease Administration. An over-all review of such projects now, in the light of all pertinent political and military considerations, could lead to timely decisions which would at once remove Chinese uncertainties and permit orderly American planning.

ARTHUR B. VAN BUSKIRK

893.24/1660 : Telegram

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

CHUNGKING, September 23, 1943—2 p. m.

[Received September 24—2:52 a. m.]

1790. Department's 1296, September 16. This matter was discussed by Acheson³⁴ with General Stilwell on September 2. Among the questions which arose were the following:

- (1) What is the motivating purpose of the British suggestion, especially in the light of the comparatively meagre amount of British supplies which have been and may be expected to be sent to China and
- (2) Would the proposed setup be definitely helpful in a practical way including the question would it be of concrete assistance to our military authorities here or would it on the other hand constitute merely another agency which would burden General Stilwell's headquarters with additional work such as conferences, correspondence, telegrams, etc.

In connection with (1), Stilwell and we are of the opinion that no good political purpose is to be served by setting up any arrangement whereunder the American supplies coming to China might be classified as "Allied" supplies.

As regards (2), Stilwell feels that the organization would not be of concrete practical help to his headquarters and might indeed add to the headquarter's work; that is, the Lend-Lease group is to be attached to his headquarters; in any case the screening of supplies could be effected without setting up an international organization so long as the Lend-Lease group maintains sufficient liaison with the appropriate British authorities to ensure that undesirable duplications in supply be avoided.

GAUSS

893.24/1670

Memorandum of Conversation, by the Under Secretary of State (Stettinius)

[WASHINGTON,] October 11, 1943.

The Chinese Ambassador³⁵ called today to pay his respects. He was very friendly, cooperative, and appreciative of what I have attempted to do for China in the past in the administration of Lend-Lease.

He asked some questions about the Moscow conference and I explained to him that it was impossible at this time to tell what will be discussed at the meeting.

³⁴ George Acheson, Jr., Counselor of Embassy, then Chargé in China.

³⁵ Wei Tao-ming.

He asked a second time in this connection if matters pertaining to the Pacific would be discussed and I replied that no one could tell at this time.

He informed me that Dr. T. V. Soong has arrived in Chungking. He was very complimentary of the manner in which I had spoken to the Chinese companies in San Francisco on my recent trip to the coast.

E[DWARD R.] S[TETTINIUS, JR.]

893.24/1687

Memorandum by the Assistant Secretary of State (Acheson) to the Under Secretary of State (Stettinius)

[WASHINGTON,] October 14, 1943.

MR. STETTINIUS: The attached memoranda from Mr. Van Buskirk,⁸⁶ FEA,⁸⁷ and Mr. Vincent of the Far Eastern Division in the Department⁸⁸ refer to lend-lease aid to China.

A lend-lease administration has always had great difficulty in arranging for the transfer of non-military lend-lease goods to the Chinese. (Military lend-lease aid to China is consigned to General Stilwell who may transfer it to the Chinese Government at his discretion, retaining supervision over its use.) The difficulties limiting civilian aid to China arise not only from short supply and limited transport, but also, when supply is adequate and transport available, from the attitude of the War Department, which looks at the Chinese program purely in military terms. OLLA and the Department of State have been strongly of the opinion that, aside from military considerations, there are political factors of extreme importance which must be taken into account. The War Department has frequently regarded these political considerations as of minor importance, and only under specific directives from the White House has it, in certain cases, modified its supply decisions concerning China to conform with political commitments.

OLLA has therefore suggested the creation of a high ranking committee, to be under the chairmanship of Mr. Harry Hopkins if possible, which would review the present status of our lend-lease program for China in the light of political as well as military considerations. This committee would prepare recommendations concerning the extent and nature of the non-military aid which should be provided to China during 1944, apart from the Army Supply Program Schedule of

⁸⁶ Memorandum dated September 20, p. 508.

⁸⁷ Foreign Economic Administration, which had taken over responsibility for Lend-Lease operations.

⁸⁸ Memorandum dated September 15, p. 505.

Material to be consigned to Stilwell. If these recommendations are approved by the President, the committee could be charged with the implementation of the program, having much the same responsibility with regard to the Chinese program as the President's Soviet Protocol Committee has with respect to the Russian program.

This proposal has been approved by the Far Eastern Division and by General Burns.³⁹ If it meets with your approval, I suggest that you might wish to hold a meeting, to be attended by the appropriate people in OLLA and by General Burns, to consider the way in which this suggestion should be presented to the White House.

DEAN ACHESON

893.24/1655

The Department of State to the British Embassy

AIDE-MÉMOIRE

Reference is made to the Embassy's *aide-mémoire* of July 27, 1943, in which it is proposed that machinery be set up at Chungking for joint screening of Chinese requirements of non-military supplies.

The Government of the United States desires that the principle of joint screening be extended wherever practicable for the mutual benefit of the governments and areas concerned. This Government believes the extension of this principle particularly desirable in several areas of the eastern hemisphere where it is not presently in full operation.

It is, however, the opinion of this Government that the establishment of a formal organization at Chungking for this purpose should be postponed until such time as the transportation difficulties now encountered in supplying China's needs may be more appreciably overcome. It is believed that this consideration is of great importance in assuring the future favorable reaction of the Government of China to any such procedure.

The Government of the United States is prepared at all times to collaborate with the British Government in any steps which may usefully be taken to facilitate the flow of supplies into China. With this end in view the proposal embodied in the Embassy's *aide-mémoire* will continue to have the attention of this Government.

WASHINGTON, November 27, 1943.

³⁹ Maj. Gen. J. H. Burns, Executive Officer of Munitions Assignments Board, United States and Great Britain.

DIFFICULTIES OF UNITED STATES OPERATIONS IN
CHINA DUE TO UNFAVORABLE EXCHANGE; NEGOTIA-
TIONS WITH CHINESE GOVERNMENT REGARDING A
REVERSE LEND-LEASE AGREEMENT

893.24/1484

*Memorandum by Mr. Woodbury Willoughby of the Division of
Commercial Policy and Agreements*

[WASHINGTON,] November 21, 1942.

For the past several weeks this Division has had under consideration an informal note from Mr. Oscar Cox, General Counsel of the Lend-Lease Administration, addressed to Mr. Eugene V. Rostow,¹ in which Mr. Cox asks "What about a reciprocal aid agreement with China?"

The proposal was discussed with appropriate officials in this Department, the War Department, Lend-Lease Administration, the Export-Import Bank and with Mr. Lauchlin Currie.² The War Department had obtained, several months ago, the views of General Stilwell³ and he was strongly opposed to reverse lend-lease as applied to his command. Under these circumstances the matter was not pushed. Also, Mr. Currie requested that the matter be held in abeyance pending the arrival of an United States Army officer who had been concerned with the handling of supplies in China and was on his way to Washington.

A new development last week throws an entirely different light on the subject. In connection with the re-acquisition by the United States Army, from the Chinese Government, of certain military planes which the latter originally had purchased in the United States, Generalissimo Chiang Kai-Shek⁴ is said to have indicated that his Government was taking action through appropriate channels to negotiate a reciprocal lend-lease agreement between China and the United States. Correspondence relating to this aspect of the subject are attached as Exhibits 1 and 2 respectively.⁵

It is assumed that the Department would not want to decline to negotiate a reciprocal aid agreement with China. With a view to overcoming the objections of General Stilwell, it was suggested in-

¹ Adviser on Lend-Lease Affairs to the Assistant Secretary of State (Acheson).

² Administrative Assistant to President Roosevelt.

³ Gen. Joseph W. Stilwell, Commanding General, United States Army Forces in China, Burma, and India.

⁴ President of the Chinese Executive Yuan (Premier).

⁵ Neither printed.

formally to representatives of the War Department that a provision might be included in the agreement which would allow our forces in China to continue to purchase supplies and services where expedient. Major Gaud of the International Division of the War Department stated over the telephone on Friday, November 20, that a radio message was being dispatched to General Stilwell explaining the situation and requesting his comments. No answer has yet been received. Major Gaud said that he will let us know as soon as an answer is received.

In giving consideration to Mr. Cox's query in regard to a reciprocal aid agreement with China, we also obtained information concerning several other aspects of the problem which is summarized below.

1. As would be expected, the amount of defense articles transferred to China under lend-lease has been small since the Burma road was closed. In the third quarter of 1942 the total was only \$16,640,000. The attached table (Exhibit 3)⁶ gives detailed information concerning lend-lease to China compared with other countries.

2. It can be assumed that the monetary value of reciprocal aid that might be obtained from China would be unimportant. It is limited in the first place by the small number of troops and the restricted scope of our current military operations in China. Furthermore, as General Stilwell is opposed to obtaining his supplies and services by reverse lend-lease, it is probable that he would continue to a considerable extent to pay cash even if a reciprocal aid agreement were concluded.

3. The amount of reciprocal aid that we are likely to request is so small that the question of China's financial ability to furnish it is not a serious problem. But the financial and exchange situation in China is very bad. Prices are rising rapidly. The Government appears to have exhausted possibilities of raising funds by taxation and progressive currency inflation is in progress. While the United States and, to a lesser extent, Great Britain have made available to China large amounts of foreign exchange, transportation difficulties prevent China from using it on a large scale for imports. Converting such exchange into local currency for domestic use results in further increase in the amount of currency in circulation thus aggravating inflation. The foreign exchange value of the Chinese National dollar is pegged but there exists an active black market at which its value in terms of United States dollars is much below the official rate.

4. Inasmuch as the Chinese Government cannot obtain additional tax revenue with which to pay for any goods or services that it might supply our troops, it would appear that any reverse lend-lease by that country would necessitate increasing further the amount of currency in circulation. As pointed out above, however, the amount involved

⁶ Not printed.

would be small and, moreover, the immediate effect upon the financial situation in China of current purchases by our armed forces of supplies and services in that country is not very different. In order to pay for such goods and services, our forces must exchange United States money for local currency which the Chinese Government can supply only by printing it.

5. The question was raised as to whether China might be asked to furnish raw materials for American war industries as reciprocal aid. While it may be well to keep in mind the possibility of asking China to do so at some future date, when supply routes are reopened, it would not appear reasonable to make such a request now. A substantial part of China's exports to the United States are used to pay off loans by the Reconstruction Finance Corporation. During the four months, June to September, United States general imports from China averaged only \$386,000, equivalent to a yearly rate of \$4,632,000, whereas payments due the Reconstruction Finance Corporation on account of principal and interest on its loans in the year 1943 total \$14,165,204.82.

Recommendation. It is suggested that no action be initiated in regard to a reciprocal aid agreement with China pending receipt of word from the War Department as to General Stilwell's comments on the proposal. If, however, the Chinese Embassy approaches the Department before General Stilwell's comments are received, it is believed that the Embassy should be told that we should be glad to enter into negotiations looking to an agreement along the general lines of those concluded with the United Kingdom, Australia, New Zealand and the French National Committee.

740.0011 Pacific War/3082

*Memorandum of Conversation, by Mr. Horace H. Smith of the
Division of Far Eastern Affairs*

[WASHINGTON,] December 4, 1942.

Under instructions from Dr. Herbert Feis, Economic Adviser, I called upon General Carter, Chief Fiscal Officer of the War Department, at his office in the Pentagon Building (Room 4-E-448) at 5:30 p. m. today to discuss informally an urgent problem which he had brought up with Dr. Feis regarding the exchange rate at which American soldiers in China were paid and a proposal by General Carter that the problem be solved through "reverse Lend-Lease".

General Carter explained that he had recently had several urgent telegrams from General Stilwell on the subject. There were two related problems involved: one concerning the purchase in China of vital supplies for the use of our armed forces and the other concerning the payment of our Army officers and men in China.

He said that General Stilwell in one telegram had requested authorization to ship into China from India \$400,000 in United States currency in order to facilitate the purchase of supplies. General Carter could not grant such requests without violating our Government's arrangements with regard to the support of the official rate of exchange. Yet there was urgent need for the establishment of a more satisfactory method of purchasing supplies in China.

The other problem had been temporarily solved so far as Army officers stationed in China were concerned by per diem allowances of \$15 per day, but even this amount was unsatisfactory.

General Carter pointed out that these problems, pressing as they now are, would immediately become vital if we were to expand our forces in China to the number that may logically be required before the end of hostilities.

He referred to the fiscal arrangements made in connection with the current North African campaign in which the troops are being paid in special "gold seal" United States currency notes which can be exchanged only at an official rate of 75 francs per dollar. After one year these notes are to be withdrawn and payments made to the troops in francs.

General Carter suggested that through reverse Lend-Lease the Chinese Government might supply either in kind or in advances of the Chinese currency required to purchase them the supplies needed by our armed forces and the elements now provided by per diem allowances to officers.

He suggested that an index might be worked out by the Embassy at Chungking upon which estimates could be made each month of the amount required in terms of Chinese currency to supply each officer with light, heat, quarters (including necessary servants) and food. This amount would not be very large and would replace the per diem now paid. General Carter suggested that any portion of an officer's pay he desired to change into Chinese currency should be exchanged at the official rate. He suggested that a similar arrangement should be made with regard to the purchase of supplies.

I replied that I would report General Carter's remarks to Dr. Feis and to the Ambassador in Chungking and, as arranged by Dr. Feis with General Carter, to Mr. Harry White⁷ in the Treasury Department. I agreed with General Carter that a possible solution of the Army's problems in this connection might lie in the negotiation of a reciprocal Lend-Lease agreement and the utilization of "reverse Lend-Lease".

HORACE H. SMITH

⁷ Assistant to the Secretary of the Treasury.

740.0011 Pacific War/3082

*Memorandum of Conversation, by Mr. Horace H. Smith of the
Division of Far Eastern Affairs*

[WASHINGTON,] December 5, 1942.

Under instructions from Dr. Herbert Feis, Economic Adviser, I called upon Mr. Harry White of the Treasury Department at 11:00 a. m. today to inform him of Brigadier General Arthur H. Carter's suggestion with regard to the establishment of a "reverse Lend-Lease" arrangement under which American Army supplies which must be purchased in China would be supplied by the Chinese Government either in kind or through advances of Chinese currency along with the elements now provided for through the US \$15 per diem granted to our Army officers in China. (See memorandum of conversation of December 4.)

Mr. White said that he was much interested in General Carter's suggestion and saw no reason why it could not be implemented. He understood that the Chinese Government was not unfavorably disposed toward "reverse Lend-Lease" and that this request was so reasonable and relatively small in magnitude that he saw no reason why some such arrangement could not be worked out in from three days to a week of negotiation. He suggested that I should tell this to Dr. Feis and General Carter. He then said that for the past two months he had been rather expecting that General Carter would arrange some solution of this nature and was glad to see it developing, although he had preferred to "sit back and let General Carter work it out in his own way."

Mr. White next mentioned the problem that was facing our Foreign Service officers in China and the single Treasury representative there due to the rising cost of living and asked me to assure the Ambassador and the Far Eastern Division of the State Department that the Treasury was not only aware of the problem but now had its legal experts at work on a possible solution (possibly through loss by exchange compensation).

Mr. White in closing the interview urged that if a "reverse Lend-Lease" arrangement was worked out the Embassy should try informally and personally to "educate the American Army officers in China to understand that per diem in kind or in Chinese currency is the fairest and most satisfactory method of handling the matter from an over-all as well as a personal point of view." He stated that the morale factor in this connection appeared to him most important.

HORACE H. SMITH

893.24/1484

*Memorandum of Conversation, by Mr. Woodbury Willoughby of the
Division of Commercial Policy and Trade Agreements*

[WASHINGTON,] December 22, 1942.

Participants: Department of State: Herbert Feis EA, George Atcheson FE, Alger Hiss PA/H, Eugene Rostow A-A, W. Willoughby TA.

Administrative Assistant to the President: Lauchlin Currie

War Department: Colonel Eugene M. Foster (Fiscal Division), Major William F. Gaud (International Division).

Lend-Lease Administration: Charles A. Bane (Chief of Reciprocal Aid Section)

This conference was called to consider an inquiry by General Carter, Chief Fiscal Officer of the War Department (S. O. S.) as to whether reverse lend-lease procedure could be used to obviate or alleviate difficulties experienced by United States military forces in China as a result of the artificial levels at which the official United States dollar-Chinese National dollar exchange rate is pegged and to consider the advisability of proceeding with the negotiation of a reciprocal aid agreement.

Colonel Foster explained that American troops in China are paid, at least in part, in United States currency and that the troops are exchanging it on the black market for local currency at rates much more favorable than the official rate. Without this advantage the purchasing power of the pay which our troops receive would be extremely small.

It was recognized by those present that it would be desirable to eliminate dealings by our troops on the black market. In response to a question, Colonel Foster indicated that it would not be feasible to grant a special increase in the pay of our troops in China so that they could be paid as many Chinese National dollars (computed at the official rate) as they now get by exchanging United States currency for Chinese National dollars on the black market.

Mr. Currie stated that he favored, and that he understood the Treasury to favor, a revision of the official rate but that the Chinese Government was opposed to further depreciation of the foreign exchange value of their currency.

Mr. Hiss suggested that the Chinese Government might be willing to provide, as reciprocal aid, Chinese National dollars at a special rate for United States troops. Colonel Foster undertook to take up

this proposal with General Stilwell who appeared to have been opposed to such a solution last month. (See message from General Stilwell, paraphrased below.) Colonel Foster agreed to show to the appropriate officer of this Department the message on this subject to be sent to General Stilwell. Mr. Bane undertook to ascertain the reaction of the OLLA to such a proposal.* Mr. Atcheson and other officers of the Department expressed the hope that the benefits of any arrangement utilizing reciprocal aid procedure to alleviate the hardships of American troops in China would be extended also to other Americans such as those connected with our Embassy and consular establishments in that country.

A general discussion of the advisability of proceeding with negotiations looking to a reciprocal aid agreement brought out the fact that the Chinese Government apparently desired such an agreement and that, so far as is known, none of the interested agencies of the United States Government has any objection to the proposed agreement providing that it meets the approval of General Stilwell.

Detailed consideration was given to the views of General Stilwell as expressed in a radio message to the War Department dated November 27, 1942 which has been paraphrased as follows :

“Provided provisions of reverse Lend Lease agreement on general terms with China do not preclude or hinder securing equipment, services or supplies locally from private or governmental agencies by non-reverse Lend Lease contract or purchase whenever time and specifications are factors making such course appear advisable to assure procurement (your 1720 from Stilwell for Somervell⁹) there is no objection to entry into such agreement. Procurement strategic materials for metals reserve, AVG¹⁰ equipment, diversion of CDS¹¹ supplies to our SOS, and perhaps CNAC¹² transportation charges acceptable on reverse Lend Lease at the present time and under those conditions.

“Any differential between present exchange rate and a revised upward rate should not be chargeable to reverse Lend Lease nor should the present need for revision of exchange rate be affected by such an agreement.

“The Chinese, under present existing agreement between our SOS and Chinese, are occupied in constructing revetments, roads, airfields and other projects of operational nature at Chinese government expense. The cost of such projects now and in the future should not be charged against our Government under reverse Lend Lease credits or otherwise since these are permanent improvements of future benefit to China.”

*I will take the matter up with the Treasury Department.—W. Willoughby [Footnote in the original.]

⁹ Lt. Gen. Brehon B. Somervell, Commanding General, United States Services of Supply.

¹⁰ American Volunteer Group in China.

¹¹ China Defense Supplies.

¹² China National Aviation Corporation.

It was agreed that the proposed agreement should be so worded that General Stilwell could continue to make purchases for cash, without recourse to reciprocal aid procedure, when he found it preferable to do so. It was felt that the other recommendations pertained to the policy which might be pursued under the proposed agreement rather than to the wording of the agreement itself. The conclusion was reached that negotiations might be begun looking to an agreement which would not specifically embody all of General Stilwell's recommendations but would not be inconsistent with them.

Dr. Feis raised the question as to who in the Department should be responsible in the first instance for handling the proposed reciprocal aid agreement. It was understood that Mr. Willoughby, reporting through appropriate channels, would assume primary responsibility.

893.24/1492a : Telegram

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

WASHINGTON, January 15, 1943—7 p. m.

76. 1. Consideration has been given by officers of this Department, of the War Department, and of the Lend-Lease Administration to the possibility of concluding a so-called reverse Lend-Lease agreement with China similar to those already concluded with Great Britain, Australia and New Zealand. There have been some informal indications reported to the Department that the Chinese Government is itself desirous of entering into such an agreement. The Department has, however, itself received no such intimations and would be glad to have your comments on this matter.

2. In communications that have been exchanged between the War Department and General Stilwell on this subject, General Stilwell has indicated his view that any arrangement in the reverse lend-lease field should not affect his freedom to procure equipment, services and supplies by methods other than reverse lend-lease process or interfere with continuation of various military works now being undertaken by the Chinese Government. We are in complete agreement with General Stilwell on the foregoing matters and would certainly ensure that his wishes be observed in any agreement that is negotiated. Would you please talk with General Stilwell and ascertain whether if his interests in these phases of the subject were ensured he would have any objection to the conclusion of a reverse lend-lease agreement. Will you also please point out to him that among the possible specific advantages which might be derived from such an agreement, consideration would be given to obtaining the agreement of the Chinese Government that it would undertake to pay to our military establish-

ment in China, as a credit on reverse lend lease, sufficient fapi to make up for the present disparity of the dollar at the official rate of exchange. It is also quite possible that we might propose to the Chinese Government that they cover other official establishments in China of this Government on the same basis. We wish to be sure that General Stilwell would see no objection to such action from a military point of view.

3. Our own thought on this matter has been along the lines that a reverse lend-lease agreement might be politically desirable. Such an agreement it seems to us would have the advantage of bringing about an increased measure of Chinese participation with us in joint war effort. If the Chinese themselves are desirous that such an agreement be entered into we would be inclined to welcome any suggestion from them to that effect.

4. Will you please send us such information as is available to you on the above matters together with your views and recommendations.

HULL

893.24/1528

Memorandum of Conversation, by Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] January 23, 1943.

Participants: Mr. Playfair of the British Treasury
 Mr. Achilles¹³
 Mr. Hiss

Mr. Playfair called on Mr. Achilles by appointment to discuss matters relating to reciprocal Lend-Lease for China. At Mr. Achilles' request Mr. Hiss participated in the conversation.

Mr. Playfair read from a telegram from Chungking which the British Embassy has recently received. In this telegram it was stated that the British Military Attaché at Chungking has been discussing with General Stilwell the matter of reciprocal aid from China for American and British troops stationed in China. It was further stated that the British Military Attaché understood that this matter was under discussion in Washington between the Chinese and the American Government. The statement was then made that bulk articles, freight charges, personal services and the like would be supplied by China but that personal out-of-pocket expenses of Allied troops would not be covered. Statement was also made that the Chinese initiative in the matter might be due to a desire to discourage the American demand for improvement in the exchange rate as applied to American

¹³ Theodore Achilles, Division of European Affairs.

troops in China or to the Chinese desire to supervise more closely American military activities in China. The British Military Attaché was said to be of opinion that it was important that authority be clearly retained to make cash purchases in order to supplement whatever aid the Chinese might agree to furnish, for the reason that Chinese standards would be inadequate for proper maintenance and housing of British soldiers.

In the course of conversation Mr. Playfair was told with respect to the points referred to above that the Chinese have taken no initiative in this matter in Washington, in fact no discussions of a reciprocal Lend-Lease agreement have taken place with the Chinese in Washington, although the matter has received consideration within this Government and we would undoubtedly be pleased to discuss the matter at any time with the Chinese were they to request us to do so; that we have had no information that General Stilwell has in fact discussed with the Chinese an actual agreement although we understand that in various instances the Chinese have offered as an *ad hoc* matter to furnish certain things gratis; that the British Military Attaché may wish to inquire of the War Department as to arrangements now in force between General Stilwell and the Chinese authorities with respect to American troops in China; that it appears likely that the primary Chinese aim—whatever subsidiary motives may be present—in offering supplies and services is to share in the common war effort; that it seems likely that any reciprocal aid agreement which the United States may enter into with China will not interfere with General Stilwell's authority to make cash purchases or to procure services for cash; and that it seems questionable whether the issue of differing standards of maintenance would be likely to arise under such an agreement for the reason that presumably acquisition of supplies from China under reciprocal aid arrangements would be bulk lots rather than of individual rations.

Mr. Playfair said that he would be glad to communicate to the Department such further information as the Embassy might receive in this matter and he said that the Embassy would in turn appreciate being kept informed of our thought on this subject.

893.24/1502 : Telegram

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

CHUNGKING, January 23, 1943—11 a. m.

[Received 10 : 21 p. m.]

127. Your 76, January 15, 7 p. m. I have discussed reverse Lend-Lease and related problems with General Stilwell. He is agreeable to

reverse Lend-Lease agreement subject to stipulation for his freedom and discretion to be able to secure supplies, equipment and services locally from private or other agencies by nonreverse Lend-Lease contracts or purchases whenever time or specifications make such course appear to him advisable. In view of actual conditions in China I am of the opinion that there will be frequent need of obtaining services, supplies and equipment outside of reverse Lend-Lease.

Stilwell is concerned, as is this Embassy, regarding the spiraling of Chinese prices and the fantastic United States currency equivalents at which reverse Lend-Lease would be debited against United States at the present official exchange rate.

The only direct indication I have had here of Chinese intention to adopt reverse Lend-Lease is related to this matter of exchange rate. During recent informal conversation with Foreign Minister I inquired whether there is any basis for rumors that China proposes to adopt reverse Lend-Lease. He explained that there has been considerable friction and difficulty with our Army authorities over the charges for supplying food, lodging and services of the hostels used by our troops. He said Chinese prices have risen so high that when converted at official exchange rate the United States currency payments for supplies and services provided might appear to be extortionate, that Minister of Finance considers it inadvisable at this time to revise the official exchange rate or to grant special rates, and that accordingly Soong had recommended that China refuse payment for supplies and services being provided and should regard them as reverse Lend-Lease.

Stilwell confirms that Chinese have now taken that position and says that Generalissimo himself indicates that payment will not be accepted. Stilwell has referred for instructions of War Department. He explained that difficulty has arisen largely out of failure of Chinese Government agency not [*sic*] to submit detailed break down of costs to support prices they asked.

In my brief conversation with the Foreign Minister he appeared to favor reverse Lend-Lease not only to overcome situation mentioned above but also for political reasons. The Minister of Finance and others however may not have a similar far sighted view.

From a strictly confidential source I know that reverse Lend-Lease has also had consideration in connection with the study of possible measures to ameliorate situation regarding foreign exchange rate on which there has been much complaint of unfairness from foreign military and diplomatic establishments, relief and missionary organizations, and foreign residents in China as well as from Chinese dependent upon remittances from their relatives abroad.

Minister of Finance maintains that rate cannot be revised at this time because of danger of effect on whole price structure and cur-

rency situation, and there is equal opposition to granting any special rates for special purposes as such special rates could not be kept secret.

I understand that as to such organizations as United China Relief it is proposed that Chinese Government grant subsidies of dollar for dollar remittances received from abroad at the official rate.

I am informed in strictest confidence that as to military forces and perhaps diplomatic establishments there has been some proposal that inter-governmental arrangements be made under which the Chinese Government would advance Chinese currency funds for their expenses, such advances to be charged to reverse Lend-Lease or to be left for future settlement between the Governments, with the rate of exchange left open for future decisions. This expedient was proposed to avoid granting special rate. But I understand this matter is complicated by the situation arising out of the use of United States currency amongst our troops and the sale of United States currency and Treasury checks by our military personnel in the black market. The Chinese have been critical of this for some time but have avoided open complaint because of possible adverse effect on morale of our Army personnel. British are also critical; their personnel are forbidden to deal in black market.

I am of opinion that if reverse Lend-Lease could be extended to cover Chinese currency advances for expenses in China, something reasonable by way of reverse Lend-Lease might be accomplished, and it should be possible to devise means of avoiding use of United States currency and sale of such currency and of Treasury checks in black market. Additional compensation, and subsistence, per diem, cost of living, rent and other allowances could be fixed and paid in Chinese currency and rates could be revised periodically to meet rising living costs.

I recommend that we seek, or preferably encourage Chinese to propose, reverse Lend-Lease agreement, with necessary reservations to meet Stilwell's stipulations, and that we endeavor to provide amongst other things for cash advances in Chinese currency for official American Government expenses in China, the amounts of such advances to be fixed in periodical requisition every few months perhaps within certain limits. The agreement might provide or it could be stipulated in a separate unpublished understanding that the rate of exchange at which such Chinese currency advances as well as the value of supplies, equipment and services furnished shall be debited against the United States in the Lend-Lease accounts shall be settled later between the two Governments, it being understood that this procedure is adopted to avoid granting special exchange rates or revision of the official exchange rate at this time. If and when such an arrangement is made, the use of United States currency by our

Army should be discontinued so far as possible and all Government personnel should be forbidden to use the black market.

GAUSS

893.24/1486½ : Telegram

Memorandum of Conversation, by Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] January 28, 1943.

Subject: Reverse Lend-Lease Agreement With China

Colonel Pennoyer (who had attended a meeting on the above subject in Mr. Dean Acheson's office yesterday in which it was agreed that this Department would proceed with the drafting of a reverse lend-lease agreement with China for submission thereof to the War Department, the Treasury Department and the Lend-Lease Administration) called at his request.

Referring to the telegram of January 19 from General Stilwell to the War Department,¹⁵ paraphrase of which had been circulated to interested officers of the Department by Mr. Feis on January 22, Colonel Pennoyer said that he thought the Department would be interested in the following information:

Assistant Secretary McCloy had first decided to reply to General Stilwell's telegram simply by directing him to accede to the Chinese position. However, officers of the War Department who have been handling the matter prevailed upon Mr. McCloy to change his decision and instead he directed (I understood the revised decision was arrived at yesterday) that General Stilwell be informed that reply will be made to his telegram when Dr. Soong¹⁶ returns to Washington and that General Stilwell be also informed that the War Department is consulting with the State Department on the question under reference. Colonel Pennoyer said that reply along these lines is to be dispatched to General Stilwell today.

Colonel Pennoyer went on to say that the Operations Division had been under the impression that the State Department was applying pressure upon the War Department for a reverse lend-lease agreement to be effected more or less regardless of General Stilwell's views. I replied that, on the contrary, we had at all times fully appreciated the points on which General Stilwell desired adequate safeguards and agreed with the General's view on these points. I repeated what Colonel Pennoyer had been told yesterday in Mr. Dean Acheson's office that so far there has been no official approach by the Chinese for an agreement and that at present we are interested primarily in working out a draft of an agreement which would help the various

¹⁵ Not found in Department files.

¹⁶ T. V. Soong, Chinese Minister for Foreign Affairs.

agencies of this Government to meet their problems relating to China—this includes primarily our armed forces in China, and also the Treasury Department with its responsibility for the Chinese Stabilization Board and black market operations, the various purchasing agencies who acquire strategic materials from China, the Red Cross and other relief agencies, the Lend-Lease Administration and our own Foreign Service officers in China. When that stage is reached we will consider, if the Chinese have still not approached us, the most effective way of getting the question of an agreement raised between us and the Chinese in the light of developments up to that time. I said that I might state personally that I had been given to understand that the War Department has been anxious that a reverse lend-lease be concluded promptly and that I had rather felt that we were under some pressure from the War Department for speed in this connection. Colonel Pennoyer said that this was not the situation. He also said that he experienced great relief as a result of his talks yesterday in Mr. Acheson's office and this morning with me. He said further that the Operations Division had perhaps been at fault for not communicating previously directly with the Department, pointing out that Lt. Col. Gaud, of the International Division of the War Department, who had talked to Mr. Willoughby several times would be likely to take a somewhat different view of the situation and might simply desire to get as many reverse lend-lease agreements signed as possible and that it might be that my impressions as to the War Department's attitude had resulted from statements made by Colonel Gaud.

As indication of the Department's attitude I showed Colonel Pennoyer a copy of our telegram No. 76 to Chungking, January 15, the reply to which (No. 127, of January 23) had been read to him yesterday by Mr. Acheson and copy of which had this morning been sent in paraphrase to the War Department. Colonel Pennoyer said that he was in entire agreement with the form and substance of our telegram to Chungking and with the decisions reached yesterday in Mr. Acheson's office with regard to prompt drafting and consideration of a draft agreement. He said that after the agreement was in form satisfactory to the concerned agencies in Washington, General Stilwell's views could then be obtained again and final decision made as to the way in which the question could be taken up with the Chinese.

893.24/1502 : Telegram

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

WASHINGTON, March 9, 1943—6 p. m.

313. Embassy's 127, January 23, 11 a. m. Reference question of Reverse Lend Lease. There is being forwarded to you by air mail

draft of the proposed exchange of notes between this Government and the Chinese Government on reciprocal aid. Copies of the draft are on their way to General Stilwell in as much as the War Department wishes to make sure that the draft is satisfactory to him. War Department has instructed General Stilwell to furnish you a copy.

The draft agreement contains reservations which, it is believed, will prove satisfactory to General Stilwell. Provision is also made for advances in Chinese currency to meet essential United States governmental as well as military needs.

Several agencies of this Government have already signified their approval of the draft and the approval of other interested agencies is being sought.

The Department will be glad to receive any additional information you may have received regarding this matter as well as any comments you may care to make when you receive a copy of the draft agreement.

WELLES

893.24/1502

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

No. 250

WASHINGTON, March 17, 1943.

SIR: With reference to your strictly confidential telegram no. 127, January 23, 11 a. m. and the Department's no. 313, March 9, 1943, in regard to an agreement covering reciprocal aid, there are enclosed copies of notes¹⁷ which it is tentatively proposed should be exchanged between this Government and the Chinese Government on the question of reciprocal aid.

For your information it may be stated that the text of the notes follows closely the phraseology appearing in the agreement for reciprocal aid negotiated with Great Britain.¹⁸ However, provision has been made in sections (b) and (d) of Article 2 to meet the needs of both governmental and military establishments of the United States in China. It will be noted that the Government of the Republic of China agrees to provide the United States, its armed forces and establishments with military equipment, munitions, military and naval stores, other supplies, facilities and services, including financial services, "except for such purchases as those forces and establishments may make apart from the arrangements covered by the agreement". It is believed that this reservation should adequately meet General Stilwell's stipulations and enable him to make such purchases as he may desire for the American forces in China. Sub-section (d) provides

¹⁷ Neither printed. The first draft note was the same, except for a few minor changes, as that handed to the Chinese Minister for Foreign Affairs on May 15, p. 538. The second draft note was a reply confirming the understanding set forth in the first draft note.

¹⁸ Supplementary agreement effected by exchange of notes signed at Washington, September 3, 1942; Executive Agreement Series No. 270, or 56 Stat. 1605.

for the advance of funds in Chinese currency to meet "other essential United States governmental and military needs" in amounts and at intervals to be mutually agreed upon. The accounting procedure to be adopted in connection with the Chinese currency provided by the Chinese Government for the needs of the Embassy and other establishments of this Government as well as other administrative matters involved are being considered by the Department.

It is requested that you report by radio any comments or suggestions you may care to make and include any recent indications which may have come to your notice as to the present attitude of the Chinese Government regarding this matter.

Very truly yours,

For the Secretary of State:
DEAN ACHESON

893.24/1575 : Telegram

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

CHUNGKING, April 5, 1943—noon.
[Received April 5—11:40 a. m.]

492. Department's 313, March 9, 6 p. m.

1. Army authorities have handed me copy of draft reverse Lend-Lease agreement. They have discussed matter with me and shown me General Stilwell's telegram to War Department. It is assumed that War Department has made substance of the telegram available to the Department.¹⁹ Stilwell and other army officers here are not favorably impressed by proposed agreement although Stilwell does not reject it. He states that in its present form it will have little effect on situation and that only an agreement which provides a realistic rate of exchange will obtain practical relief for the military.

2. It is advisable and advantageous, Embassy believes, to have a reverse Lend-Lease agreement with China and the draft agreement would seem to serve the ends desired. Firstly, for political reasons we should have such an agreement with China. Secondly, the American Treasury and tax payer should be relieved of the financial charge which the present unreasonable rate of exchange imposes—I refer to our Government's expenditures here in the form of allowances and per diems to officers and employees and to excessive charges for rent and other services which derive from the disparity between the actual purchasing value of the Chinese dollar (less than 1 cent United States) and the exchange value of 5 cents.

3. There would seem to be two practical ways in which the above mentioned charges could be transferred from the American Treasury

¹⁹ The War Department informed the Department of State of General Stilwell's views in a letter dated April 5, 1943 (893.24/1579).

to the Chinese Government under the contemplated reverse Lend-Lease agreement without the necessity of fixing a special rate. All allowances, per diems and charges for services in Chinese currency could be paid from fund to be established by Chinese Government and accounted for separately; that is, separately from such basic charges as United States dollar salaries of officers and employees, rent allowances and allowances for support of families in United States, which would continue to be paid by American Government. The Department and other civilian agencies of Government would continue to grant allowances and per diems, stating them in Chinese currency, and increase them as the purchasing power of Chinese dollar falls, as will inevitably be the case. Payments for rent and other services in Chinese currency would in a similar manner become a direct charge against Chinese Government funds. Neither now nor later would there be [be] any necessity to establish a special rate of exchange. The other manner of handling the matter would be to charge all payments made locally in Chinese currency, including salaries et cetera to the Chinese Government fund, as I recall Dr. Soong suggesting, and decide upon some equitable rate for settlement after termination of the war.

4. I have discussed the matter with civilian officers of their branches of the Government here and find them in general accord with Embassy's views. If practical the agreement should be made retroactive to January 1, 1942. The Embassy is preparing a proposed sliding scale to provide a systematic basis for determining special allowances to meet rises in cost of living.

5. I am not familiar with the Army's problems, but it seems to me that a system of allowances or per diems such as we and other civilian agencies of the Government here have adopted could be adopted to the requirements of army personnel in such a way as to obviate the necessity of fixing a definite rate of exchange. I have not had an opportunity to discuss the matter with General Stilwell who is in India.

6. A reverse Lend-Lease agreement would of course leave unsolved the problem of American eleemosynary remittances and remittances from overseas Chinese and also financing problems of other officials in China. The Department knows of the suggestion that the Ministry of Finance match remittances dollar for dollar. There are rumors in Chungking that Dr. Kung²⁰ plans to lower the rate of exchange (30 to 1 is mentioned), but these rumors may derive from the circumstance that the Ministry of Finance, I am confidentially informed, is giving some consideration to the matter of granting a special rate for diplomatic and foreign government establishments in China.

²⁰ H. H. Kung, Chinese Minister of Finance.

There is no assurance, however, that such consideration will be translated into action.

VINCENT

893.5151/920 : Telegram

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

CHUNGKING, April 11, 1943—9 a. m.

[Received 4:08 p. m.]

527. With reference to final paragraph of my 492, April 5, noon, Dr. Kung in response to approach from Belgian Ambassador (*Doyen* of the Diplomatic Corps) through Foreign Office, has reluctantly indicated willingness to give a "subsidy" of 50 cents on the dollar to diplomatic missions here as relief from exchange situation. He stipulates that there shall be no publicity [and?] no "special diplomatic rate" fixed and that word "subsidy" shall be used as indicating that step is purely voluntary on part of Finance Ministry and not matter to be used as precedent for other quarters.

Acting Foreign Minister in response to Belgian Ambassador's objection to ideas of "a subsidy to diplomatic missions", offered the refined alteration to "exchange subsidy" which the Belgian Ambassador accepted. The latter is now endeavoring to obtain agreement of other chiefs of missions for report back to Foreign Office.

Without making any commitment on our part I have discussed matter with Belgian and British Ambassadors and with Acting Foreign Minister. I informed the latter that use of the word "subsidy" in any context was most inappropriate from standpoint of Chinese Government as well as diplomatic [missions?]. He agreed. I told him and the two Ambassadors aforementioned that I would have to submit the matter to my Government.

The Foreign Office is apparently not informed regarding our reciprocal Lend-Lease plans and it is possible that neither is Dr. Kung. While I perceive no reason why other diplomatic missions should not take what exchange relief they can obtain, irrespective of the effect which a reciprocal Lend-Lease agreement might have on our position, I desire the Department's instructions in the premises.

[VINCENT]

893.5151/917a : Telegram

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

WASHINGTON, April 15, 1943—9 p. m.

487. Reference Embassy's 527, April 11, 9 a. m. in regard to proposed exchange subsidy to diplomatic missions.

1. With reference to the rate of the proposed exchange subsidy please confirm the Department's understanding that under the proposed arrangement CN\$30 would be received for one dollar United States currency.

2. You are also requested to ascertain, merely as a matter of information, whether it is contemplated that such an exchange subsidy would be extended to foreign governmental agencies other than diplomatic missions and whether foreign armed forces in China would also be included in such an arrangement.

3. The Department is not yet in a position to give the Embassy definite instructions regarding reciprocal lend-lease but every effort is being made to reach an agreement as rapidly as possible with Lend-Lease and other agencies of the Government in regard to the fiscal and technical problems involved in such an agreement. Until full understanding is reached here it is not believed advisable that you indicate to the Chinese Government that such an agreement has been drafted. However, the Department believes it would be helpful for you, without linking the matter with the question of exchange, to intimate to the Acting Foreign Minister that it is your understanding that both the Chinese and we have been giving consideration to the mutual benefits, particularly in the prosecution of the war, which would result from the extension of reciprocal aid and to note and report his reaction.

HULL

893.5151/917: Telegram

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

CHUNGKING, April 16, 1943—2 p. m.
[Received 10:55 a. m.]

549. Reference my 527, April 11, 9 a. m. Ministry of Finance in a communication signed by Dr. Kung has notified the Stabilization Board of the Ministry's proposal to grant a 50 cents on the dollar exchange allowance to foreign diplomatic and consular establishments in China. The word "subsidy" is not employed. The communication, somewhat lacking in precision with regard to procedure and eventual accounting, requests the Board to give the matter its attention.

Adler,²¹ our member of the Stabilization Board, will report fully after meeting of the Board for the information of the Department and the Treasury.

VINCENT

²¹ Solomon Adler.

893.5151/918 : Telegram

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

CHUNGKING, April 20, 1943—3 p. m.

[Received April 20—11:24 a. m.]

568. Reference Department's 487, April 15, 9 p. m.

1. Department's understanding is correct. Phraseology is Kung's used by him to avoid actual statement of a rate.

2. Matter has not been settled. Kung's communication to Stabilization Board mentions only diplomatic and consular establishments.

3. The Acting Foreign Minister's response to my intimation concerning reciprocal Lend-Lease was simply and I believe truthfully that he had not given the matter any thought and had [not?] heard anything about it. Recalling that Soong and Gauss had a casual discussion on the subject, I asked whether Soong had not mentioned it to him. He replied convincingly in the negative. I saw no purpose in pursuing a discussion of a matter concerning which he was not informed or particularly interested.

VINCENT

893.5151/919 : Telegram

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

CHUNGKING, April 22, 1943—10 a. m.

[Received April 22—9:20 a. m.]

576. For Treasury from Adler. TF-110, April 17. Ministry of Finance informed Board April 13 that it has drafted a temporary measure according to which:

(a) diplomatic and consular establishments in China would be allowed to convert foreign exchange at official rate plus 50% for duration of war and

(b) foreign exchange received from diplomatic and consular establishments would be put in a separate account in Central Bank and not credited to the Board. Central Bank would handle all transactions connected therewith and advance the national currency. Settlement of the account would be made after the war.

Board has replied to Ministry of Finance taking note of its proposal and asking for clarification of one or two minor details. Proposed arrangement would not appear to require modification of GL 75²² as Board's consent has been obtained.

Foregoing is of interest in connection with Embassy's 527, April 11, 9 a. m., and 549, April 16, 2 p. m. [Adler.]

VINCENT

²² General License 75.

893.5151/922a : Telegram

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

WASHINGTON, May 6, 1943—6 p. m.

587. Your cable of April 22, 1943, TF-110.²³ For Adler from the Secretary of the Treasury. For your personal and confidential information and immediate reply, and not to be discussed with the Chinese Government authorities.

1. Please describe in more detail, if possible, the arrangements referred to in (b) of the first paragraph of your cable and clarify the meaning of the last sentence, "Settlement of the account would be made after the war."

2. Has the Board approved the Ministry of Finance's proposal?

3. The Treasury would appreciate having your views on the Ministry of Finance's proposal. If you have already indicated your approval of this proposal, have you thereby gone on record as agreeing that the 50 percent exchange compensation being offered is adequate and reasonable?

4. Does this proposal of the Ministry of Finance mean any fundamental change in the attitude of the Ministry of Finance towards the granting of special rates for special purposes? [Morgenthau.]

HULL

893.5151/922 : Telegram

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

CHUNGKING, May 12, 1943—10 a. m.

[Received May 12—9:40 a. m.]

692. To Secretary of the Treasury from Adler, TF-120. Re your 587, May 6, section 1. Following is translation of temporary measure concerning conversion of foreign exchange by foreign Embassies and consular bodies drafted by Ministry of Finance and communicated by it to Board on April 13.

"1. For duration of war the conversion of foreign exchange into CN dollars by foreign Embassies and consular bodies for their expenditures will be at the official rate and in addition an amount equivalent to 50% of the proceeds in CN dollars will be paid.

2. The foreign exchange received from foreign Embassies and consular bodies will be put in a separate account with Central Bank and will not be credited to the account of Stabilization Board of China.

3. The CN dollars needed for foreign exchange converted by foreign Embassies and consular bodies will be temporarily advanced by

²³ *Supra.*

Central Bank and be set off by the said foreign exchange. As soon as the war is over, settlement of the account will be made.

4. Conversions of such foreign exchange as mentioned above will be carried out by Central Bank on the basis of certified letters from the foreign Embassies and consular bodies.

5. Reports of the amounts of such conversions should be sent to the Ministry of Finance monthly by the Central Bank.[²⁴]

Section 2, paragraph 1. Re your 587, paragraph 1. There is no information available other than that contained in paragraphs 2 and 3 above. It is not known whether Ministry of Finance contemplates a settlement of account involving reverse Lend-Lease as far as United States and United Kingdom are concerned or whether it contemplates a settlement between Ministry and Central Bank.

2. Re your paragraph 2. Board in its reply to Ministry used following formula deliberately to avoid indicating approval or disapproval "the Board takes note of the proposal". At same time Board is raising questions of detail concerning proposed new arrangement implied acceptance or consent in its reply.

3. Re your paragraph 3. Neither Board nor I went on record as agreeing that 50% constitutes an adequate and reasonable compensation. At same time in existing circumstances I feel that extra 50% for diplomatic and consular bodies is better than nothing and can be regarded as opening wedge. Embassy officials with whom I have maintained contact on the matter do not disapprove of proposed arrangement.

4. Re your paragraph 4. Chinese colleagues inform me that Generalissimo ordered Ministry of Finance to draft new arrangement as result of complaints lodged by smaller Embassies and Legations in Chungking. There is no further information to report on paragraph 2 of TF-118 of May 8 [11],²⁴ but if it turns out to be true that Minister of Finance has promised same concession to foreign philanthropic and missionary organizations then answer to your question would be affirmative.

5. For your information proposed new arrangement with respect to foreign Embassies and consular bodies has not yet been adopted by Ministry of Finance and is not likely to go through before Dr. Kung's return from Chengtu. Dr. Kung is expected back towards the end of this week. It is reported that principal purpose of his trip was to deal with complaints about conscription and the land tax. [Adler.]

VINCENT

²⁴ Telegram No. 682, May 11, 11 a. m., from the Chargé in China, p. 417.

893.24/1596

*Memorandum of Conversation, by Mr. Kermit Roosevelt, Jr., Assistant to the Assistant Secretary of State (Acheson)*²⁵

[WASHINGTON,] May 15, 1943.

Participants: Dr. T. V. Soong, Chinese Minister for Foreign Affairs
PA/H—Mr. Hornbeck
A—A—Mr. Acheson
A—A—Mr. Roosevelt

Dr. Soong called on Mr. Acheson at Mr. Acheson's request.

Mr. Acheson handed informally to Dr. Soong a draft note²⁶ on the subject of reciprocal lend-lease which it is contemplated might be addressed to the Secretary by Dr. Soong.

Attached to this note were copies of the Chinese master agreement and the exchange of notes on reciprocal aid with the United Kingdom for convenient reference of Dr. Soong.

Mr. Acheson explained that we had exchanged similar notes with other countries, as supplements to the formal lend-lease agreements, setting forth the general types of reciprocal aid to be provided United States forces and government agencies. He pointed out that these notes did not bind the government to provide us with specified amounts of aid but simply described the types of aid which would be offered. The amounts, of course, are determined by the providing government.

Mr. Acheson went on to explain that in the U.K., for example, aid has been provided in two ways. The British have purchased equipment or materials and turned them over to our forces, or our forces have done the procuring themselves on British account. It has been found desirable, in some instances, for the British to provide funds of their currency to facilitate reciprocal aid. In the draft note submitted to Dr. Soong we have, in the light of previous experience elsewhere and of special conditions existing in China, made specific provision for currency to be received as reciprocal aid. Mr. Acheson remarked that Dr. Soong was undoubtedly familiar with the problem that our military has been called upon to face. American soldiers have been taking the dollars they receive as pay and buying Chinese currency on the black market. To police this would require as many soldiers again as we already have in China. To correct this situation we would like, under the terms of the proposed agreement, to be able to have our representatives in China call upon the Chinese authorities, discuss their needs for special war purposes, and receive from the

²⁵ Substance of this memorandum reported to the Chargé in China in Department's telegram No. 637, May 19, 9 p. m.

²⁶ *Infra.*

Chinese authorities whatever funds in Chinese dollars those authorities felt they could provide as reciprocal aid. Then, as a separate transaction, our representatives would turn over to Chinese authorities the dollars they had planned to spend on salaries, et cetera, and the Chinese lend-lease account would be credited to that extent.

Dr. Soong commented that this would avoid the problem of the exchange rate. He went on to say that he was very glad to receive this draft and that he hoped it would clarify many questions which now perplexed both Governments. He said that he realized that the official exchange rate was out of line with actual purchasing power, and that many American officers felt that they were being "gypped". So far as diplomatic establishments were concerned, he had long ago suggested to the Generalissimo that a special rate be granted. A special rate, however, has certain disadvantages from the domestic viewpoint. Nevertheless, he understood that Dr. Kung has finally agreed to offer a special exchange rate to diplomatic and consular services which will be a fifty percent improvement over the official rate. Dr. Soong feels, however, that the proposed agreement may offer a better solution.

Dr. Soong said that he would communicate it to his Government immediately and hopes that he will be able to present us with a reply soon.

KERMIT ROOSEVELT, JR.

893.24/1594½

*Draft Note From the Chinese Minister for Foreign Affairs (Soong)
to the Secretary of State*²⁸

SIR: In the United Nations declaration of January 1, 1942, the contracting governments pledged themselves to employ their full resources, military and economic, against those nations with which they are at war; and in the agreement of June 2, 1942 the Government of the Republic of China and the Government of the United States undertook to provide each other with such articles, services, facilities or information useful in the prosecution of their common war undertaking as each might be in a position to supply. It is further the understanding of the Government of the Republic of China that the general principle to be followed in providing mutual aid as set forth in the said Agreement of June 2, 1942 is that the war production and the war resources of both Nations should be used by the armed forces of each and of the other United Nations in ways which

²⁸ Prepared in the Department and handed to Dr. Soong by the Assistant Secretary of State (Acheson) on May 15; see memorandum of conversation, *supra*.

most effectively utilize the available materials, manpower, production facilities and shipping space.

With a view to supplementing Article 2 and Article 6 of the Agreement of June 2, 1942 between our two Governments for the provision of reciprocal aid, I have the honor to set forth below the understanding of the Government of the Republic of China of the principles and procedures applicable to the provision of aid by the Government of the Republic of China to the United States and the manner in which such aid will be correlated with the maintenance of its forces and establishments by the United States Government.

1. While each Government retains the right of final decision, in the light of its own potentialities and responsibilities, decisions as to the most effective use of resources shall, so far as possible, be made in common, pursuant to common plans for winning the war.

2. The Government of the Republic of China will provide the United States, its armed forces and establishments with the following types of assistance as reciprocal aid, when it is found that they can most effectively be procured from the Republic of China:

(a) Military equipment, munitions, and military and naval stores.

(b) Other supplies, materials, facilities and services, including financial services, for the United States forces, and other official United States establishments in China, except for such purchases as those forces and establishments may make pursuant to clause (d) below, or apart from the arrangements covered by this agreement.

(c) Supplies, materials and services needed in the construction of military projects, tasks and similar capital works required for the common war effort to the extent that the Republic of China is a more practicable source of supply than the United States or another of the United Nations.

(d) To enable the United States authorities, where they deem it advisable, to obtain supplies, materials, facilities and services such as those specified under items (a), (b) and (c) above by direct purchases, and to meet other essential United States governmental and military needs for Chinese currency, the Government of the Republic of China will provide funds of its currency, in amounts and at intervals to be mutually agreed upon, to the duly authorized authorities of the United States.

3. The practical application of the principles formulated in this note, including the procedure by which requests for aid by either Government are made and acted upon, shall be worked out as occasion may require by agreement between the two Governments, acting through their appropriate military or civilian administrative authorities. Requests by the United States Government for such aid will be presented by duly authorized authorities of the United States to official agencies of the Republic of China which will be designated or established in Chungking and in the areas where United States forces

are located for the purpose of facilitating the provision of reciprocal aid.

4. It is the understanding of the Government of the Republic of China that all such aid, as well as other aid, including information, received under Article 6 of the Agreement of June 2, 1942, accepted by the President of the United States or his authorized representatives from the Government of the Republic of China will be received as a benefit to the United States under the Act of March 11, 1941. In so far as circumstances will permit, appropriate record of aid received under this arrangement will be kept by each Government.

If the Government of the United States concurs in the foregoing, I would suggest that the present note and your reply to that effect be regarded as placing on record the understanding of our two Governments in this matter.

I have the honor to be, etc. etc.

893.24/1604

Memorandum of Conversation, by Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] May 19, 1943.

In view of inquiries made by the British Finance Mission (Mr. Playfair) and the Australian Legation (Mr. Brigden) some weeks ago as to whether we plan to take any steps to alleviate the exchange difficulty which foreign officials are subject to in Chungking, I telephoned to Mr. Grant (in Mr. Playfair's absence) and to Mr. Watt (in Mr. Brigden's absence) after discussing the question with FE, EU and A-A.

In both cases I recalled the previous inquiry, our previous statement that we had the matter under consideration and hoped to propose to the Chinese some ameliorative action under Lend-Lease arrangements, and then stated that on Saturday last (May 15) Mr. Acheson had delivered to Dr. Soong a draft reverse Lend-Lease Agreement containing a provision that as part of the assistance to be supplied by China, the Chinese might furnish the American armed forces and official establishments with needed amounts of Chinese currency. I explained further that in so far as exchange difficulties were concerned, it was our hope that this device would suffice to permit our dollar expenditures in China to be assured of fuller purchasing power than was possible at the official rate of exchange. I explained that in some cases the proposed assistance by way of delivery of amounts of Chinese currency might simply be in lieu of the direct delivery of materials or services and in such cases would bear no relation to exchange difficulties as such.

In each case I also requested that the information be regarded as confidential and that no action be taken to approach the Chinese with any similar plan until we had had an opportunity to ascertain the Chinese reaction to our proposal. I said that it was our desire that the Chinese consideration of our proposal not be complicated by the necessity for simultaneous consideration of any similar proposal from other countries. In both cases there was an expression of thanks for the information and an assurance that any action vis-à-vis the Chinese would be held in abeyance until further word from us.

893.24/1596

*Memorandum of Conversation, by Mr. Kermit Roosevelt, Jr., Assistant to the Assistant Secretary of State (Acheson)*²⁹

[WASHINGTON,] May 21, 1943.

Participants: Dr. Liu Chieh, Chinese Minister, and Counselor of the Chinese Embassy
 Mr. A. Hiss—PA/H
 Mr. Stanton—FE
 Mr. K. Roosevelt—A-A

Dr. Liu called on me at his request to receive an informal memorandum clarifying certain aspects of the draft note on Chinese reciprocal aid agreement, which was handed by Mr. Acheson to Dr. Soong on May 15, 1943. A copy of this informal memorandum is attached.

Dr. Liu said that the memorandum seemed clear and would be most helpful to his Government in considering the proposed agreement. Dr. Liu is planning to telegraph the draft agreement and the informal memorandum to Chungking immediately.

Dr. Liu observed that it was his understanding that the Chinese currency turned over to United States authorities would not be earmarked for specific purposes but could be used for the purchase of materials needed by the armed forces or for wages or administrative expenses.

In the course of the conversation it was emphasized that the amounts of Chinese currency to be received by United States authorities, and the amounts of American dollars to be turned over to Chinese authorities, would be the subject of joint consideration. Dr. Liu inquired whether this could mean that no American dollars need be received by China. It was explained to him that we definitely contemplated that American dollars would be provided in connection with certain

²⁹ Substance of this memorandum reported to the Chargé in China in Department's telegram No. 659, May 24, 9 p. m.

categories of expenditures. Mr. Hiss also emphasized the fact that the proposed agreement would not affect the purchases of strategic materials to be exported from China by the Board of Economic Warfare or by the Reconstruction Finance Corporation agencies.

KERMIT ROOSEVELT, JR.

[Annex]

The Department of State to the Chinese Embassy

INFORMAL MEMORANDUM

The general theory underlying the so-called "reverse" Lend-Lease Agreements is similar to the general theory underlying the master Lend-Lease Agreements themselves. In both cases the agreements merely provide general principles under which the war resources of the contracting governments can be most effectively utilized for the joint war effort. It is contemplated under both types of agreements that specific transactions to be effectuated under the agreements will be carried out on the basis of mutual agreement as to details.

In the draft of a proposed "reverse" Lend-Lease Agreement handed to Dr. Soong by Mr. Acheson on May 15, 1943, provision is made for several possible ways by which the government of the Republic of China may, according to future circumstances as they arise, give assistance to the armed forces and other official agencies of the United States Government. Those various types of assistance may be roughly grouped as follows:

1. The direct supplying of materials or services for the use of the armed forces and establishments of the United States.
2. The supplying of Chinese currency, such currency to be used by the armed forces and establishments of the United States in procuring supplies and services and for other payments by them in the areas under the control of the Government of the Republic of China. The United States would in turn from time to time deliver to the Chinese authorities amounts of United States dollars allotted for such procurement and for such other payments.

The specific terms and procedures to be followed with respect to transactions of the above types would, of course, be worked out by mutual agreement between the appropriate Chinese and American authorities. It would be contemplated that with respect to the first type of transaction the Chinese Government would be credited on Lend-Lease account with the materials or the services supplied to the United States. In the case of the second type of transaction it would be contemplated that against the amounts of Chinese currency delivered to the United States authorities in China, the Chinese Government would receive dollars computed at the official rate of exchange

for such proportion of the total Chinese currency delivered as shall be agreed upon from time to time and that the remaining portion or quota of the Chinese currency so delivered would be credited to the Chinese Government on Lend-Lease account.

It is, of course, to be understood that the whole nature of Lend-Lease aid is one of voluntary not obligatory assistance. Lend-Lease Agreements merely specify the general principles which it is agreed will be followed in those cases in which the Government requested to supply goods or services under the Agreement considers that it is in a position to supply such goods or services. Lend-Lease Agreements do not, of course, in any way prevent the continuance of other procedures of procurement outside the scope of Lend-lease arrangements.

893.24/1597 : Telegram

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

CHUNGKING, May 22, 1943—9 a. m.
[Received 10:30 a. m.]

754. Embassy's 549, April 1 [16], 2 p. m. and Department's 637, May 19, 9 p. m.³¹ (just received).

1. The Embassy has received a note from the Foreign Office dated May 19 communicating "provisional regulations" of the Ministry of Finance "for extending favorable treatment to the Embassies and Consulates in connection with the conversion of foreign exchange into national currency to meet their expenses" as follows:

"(1) For the duration of the war the conversion of foreign exchange into Chinese national currency by the foreign diplomatic and consular offices for their expenditures will be at the official rate and in addition an amount equivalent to 50% of the proceeds CN dollars will be paid;

(2) the foreign exchange received from the foreign Embassies [and] consular bodies will be put in a separate account with the Central Bank and will not be credited to the account of the Stabilization Board of China;

(3) the national currency needed for the foreign exchange converted by the foreign Embassies and Consulates will be temporarily advanced by the Central Bank and be set off against the said foreign exchange. As soon as the war is over, settlement of the account will be made;

(4) conversion of the foreign exchange mentioned above will be carried out by the Central Bank on the basis of certifications contained in official letters from the Embassies concerned;

(5) the amounts of the conversions of the foreign exchange to convert the expenses of the various Embassies and Consulates in China will be listed in a table each month by the Central Bank of China and separately reported to the Ministry of Finance and the Stabilization Board for reference. Whenever the various Embassies and Consul-

³¹ Latter not printed, but see footnote 25, p. 537.

ates in China require foreign exchange they will apply direct to the Central Bank of China and that bank will make payment in foreign exchange at the same rate at which foreign exchange is received (from the Embassies by the bank) and shall enter it into the account under an appropriate heading for calculation."

The note states that the regulations are to be implemented "from May of this year" and requests figures as to the amounts of foreign exchange desired monthly by the Embassy.

2. In the light of Department's 637, May 19, 9 p. m. (as well as in the light of the ambiguity of the third article of the regulations), we are not taking any action conformable to the Foreign Office note. Prior to the receipt of Department's 637 I had arranged to see Dr. Kung today for the purpose, *inter alia*, seeking clarification of regulations. In the absence of affirmative instructions I shall of course refrain from bringing up with him the subject of Department's 637.

3. It may be added incidentally that, while the ambiguity [of] the third article is assumably designed to meet Finance Ministry's objection to a "special rate" and foreign objection to a "subsidy" for diplomatic establishments, it is our impression, received from conversation with several foreign diplomatic representatives that they will hesitate to accept the arrangement until the language of Article III is appreciably modified or supplemented by written assurance that it covers only a matter of mechanics between the Central Bank and the Finance Ministry and does not create any financial obligation on the part of foreign governments.

4. Please see Adler's message to Treasury of this date ³³ with regard *inter alia* to arrangements made for increased exchange for missionary, philanthropical, educational and relief organizations.

ATCHESON

893.5151/924 : Telegram

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

CHUNGKING, May 22, 1943—10 a. m.

[Received 12:05 p. m.]

755. To Secretary Treasury from Adler. TF-122. Refer your 587 of May 6 and my TF-120 May 12.³⁴

1. Board has been officially notified by Ministry Finance that it has instructed Central Bank to handle arrangement whereby foreign Embassies and consular bodies are to receive official rate of exchange plus 50% and that arrangement is to be retroactive from May 1.

2. Saw Dr. Kung on 19th. He informed me of his interview with representatives of foreign missionary and philanthropic organiza-

³³ See *infra*.

³⁴ For TF-120, see telegram No. 692, May 12, 10 a. m., p. 535.

tions in Chengtu indicating that he had agreed to match foreign contributions for famine relief and to grant the official rate plus 50% for foreign missionary philanthropic and educational expenditures. He added that this arrangement and the arrangement with respect to foreign Embassies and consular bodies did not signify the establishment of special rates for special purposes nor did they signify the granting of subsidies. But it would appear that however the arrangement will be dressed up they will constitute special rates for special purposes in fact if not in name however their status remains ambiguous pending further clarification.

3. I understand Central Bank has already received instructions concerning the arrangement with respect to foreign missionary etc. organizations but Board has not yet been officially notified.

4. There is one aspect of the proposed new arrangement with respect to foreign missionary etc. organizations to which I feel your attention should be called. While the arrangement with respect to foreign Embassies etc. does not involve large amounts of foreign exchange and can be regarded as exceptional case the proposed arrangement with respect to foreign missionary etc. organizations would involve substantial amounts of foreign exchange. The fact that under proposed arrangement the substantial amount of foreign exchange involved would accrue solely to the Central Bank would appear to entail an encroachment on the effective functioning of the Board. While of course in the absence of anything better there can be no objection to granting foreign missionary etc. organizations the official rate plus 50% there are grounds for preferring an arrangement which would achieve this purpose and at the same time allow the Board to continue to be the recipient of foreign exchange from remittances to foreign missionary, etc. organizations. It would be appreciated therefore if you could inform me of Treasury's attitude to the proposed arrangement before the matter formally comes up before the Board. [Adler.]

ATCHESON

893.24/1598 : Telegram

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

CHUNGKING, May 24, 1943—3 p. m.

[Received May 26—10:22 a. m.]

768. Embassy's 754, March [May] 22, 9 a. m.

1. In the course of a conversation on various subjects with Dr. Kung late on May 22, he described at some length but in vague terms the reasons including appreciation of the American loan which had moti-

vated the Chinese Government in devising the new special exchange regulations. While I did not obtain from him a very precise clarification of article 3 of the regulations, he stated that it concerned the Central Bank and his Ministry and that there was no intention to create any debt on the part of foreign governments. (A more specific clarification was given an officer of the Embassy by Mr. K. K. Kwok, general manager of the Central Bank of China, who stated that the foreign Embassies definitely incur no responsibilities whatsoever under article 3; that the article simply covers a matter of mechanics between the Central Bank and the Ministry; that the "settlement" referred to is to be only between the Bank and the Ministry; and that he was somewhat surprised that the text of the article had been transmitted to the Embassy by the Foreign Office.)

2. Dr. Kung made no reference during my conversation with him to any question relating to reverse Lend-Lease and I, of course, did not mention the subject. As regards the special exchange regulations, I said that we appreciated his active interest in the question of resolving our problems in connection with the exchange situation and that we were informing the Department in regard to the matter.

ATCHESON

893.24/1599 : Telegram

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

CHUNGKING, May 26, 1943—2 p. m.

[Received May 27—10:32 a. m.]

790. Embassy's 768, May 24, 3 p. m., special exchange regulations. Adler informs us that the Stabilization Board has tacitly approved the new special exchange regulations for foreign Embassies and consular offices by "taking note" of them and not raising our [any] nation [objection] to them and also by requesting Ministry of Finance to instruct Central Bank to report to the Board monthly exchanges sold to and bought from foreign Embassies and consular offices. In the light of this circumstance and as article 3 has been clarified, we assume that, in the absence of instructions to the contrary and pending the making of other possible arrangements, we may take advantage of new rate which benefits the Government and brings much needed, if only temporary, relief to members of the staff.

It is understood that British and other foreign diplomatic missions are similarly availing themselves of the new rate.

ATCHESON

893.24/1597 : Telegram

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

WASHINGTON, May 27, 1943—6 p. m.

679. Reference Embassy's 754, May 22, 9 a. m. in regard to provisional regulations of the Ministry of Finance for extending favorable treatment to the Embassies and Consulates in connection with the conversion of foreign exchange into national currency to meet their expenses.

1. Department approves Embassy's position as indicated in first sentence of paragraph numbered 2.

2. However, in the event that the Ministry of Finance presses for an early reply in regard to the regulations mentioned, it is suggested that the Embassy intimate orally that it has been our hope that this matter could be taken care of by the inclusion of certain financial provisions in an agreement for reciprocal aid and that the draft of such an agreement, including financial provisions, was in fact handed to Dr. Soong on May 15 for the consideration of the Chinese Government.

HULL

893.24/1601 : Telegram

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

CHUNGKING, June 1, 1943—10 a. m.

[Received June 1—9:10 a. m.]

825. Embassy's 790, May 26, 2 p. m., and Department's 679, May 27, 6 p. m., Special Exchange Regulations. The two reference telegrams appear to have crossed each other.

Although we stated in our 790 that in the light of the clarification of article III of the regulations and in the absence of contrary instructions we assumed that we might take advantage of the new rate we have not done so because of the implication in paragraph 1 of Department's 679 approving our original tentative provision taken before article III was clarified for us by Dr. Kung and by General Manager of Central Bank of China. We would accordingly appreciate receiving specific authority to avail ourselves of the financial advantages provided for by the new regulations, such authority, if granted, to include offices of the Military and Naval Attachés and the other official civil establishments such as BEW, OWI, and IDC³⁵ pending outcome of reverse Lend-Lease negotiations.

³⁵ Board of Economic Warfare, Office of War Information, and Interdepartmental Committee for Acquisition of Foreign Publications, respectively.

While the benefits to be enjoyed under the new exchange regulations are of a temporary nature only because the cost of living is rising at a rate of more than 10% a month and is expected to be accelerated as a result of the current Jap military operations in the Hunan-Hupeh area, the additional funds to be availed of under the regulations would materially lower the Government's expenditures for rent, et cetera and would provide Government personnel with much desired financial relief. Also, use by us of the new arrangements would provide an opening wedge for a later and more satisfactory adjustment (through reverse Lend-Lease or a lowering of the official rate) of the exchange problem.

Instructions are urgently requested.

ATCHESON

893.5151/927: Telegram

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

CHUNGKING, June 1, 1943—2 p. m.

[Received June 2—2:12 p. m.]

826. [Section I.] From Adler to Secretary Treasury only. TF-126. Re my TF-122, May 22.³⁶

1. Board has been officially informed of arrangement foreign missionary, philanthropic and cultural organizations will receive official rate plus 50% from Central Bank. Board will discuss its reply at next meeting which will probably not take place till next week owing to chairman's indisposition. Should appreciate receiving your comment on point 4 of my TF-122 before Board meeting takes place.

2. Mr. K. K. Kwok of Central Bank informs me that a similar arrangement is to be extended to foreign military officers and foreign journalists. NB. *a.* It will be difficult to refuse all other foreign soldiers what is being granted foreign officers. *b.* This concession will be largely a paper one, as most American soldiers and journalists convert their foreign exchange in black market.

3. Mr. Pei of Bank of China tells me that he has already had inquiries from his New York office as to "what this new arrangement is all about" and as to whether it will be extended to overseas remittances. It would appear that it is only a matter of time before Chinese Government will have to make same concession to overseas Chinese.

4. In that case, excluding foreign armies official expenditures which presumably will eventually be covered by a reverse Lend-Lease arrangement and foreign exchange accruing from such Chinese ex-

³⁶ Telegram No. 755, May 22, 10 a. m., p. 544.

ports as are paid for in cash, almost all Chinese foreign exchange receipts will be converted by Central Bank at official rate plus 50%. With respect to foreign exchange outgoes, in case of arrangement for diplomats Board called Ministry of Finance's attention to fact that it would be absurd to give diplomats official rate plus 50% and allow them to get foreign exchange at official rate. Ministry therefore agreed that diplomats should henceforth apply to Central Bank for foreign exchange which they would pay at same rate as they received it and Ministry will presumably impose same requirement on other parties to which it is granting same concession.

5. In situation arising from extension of arrangement for diplomats to foreign missionary, et cetera organizations to foreign soldiers and journalists and presumably to overseas Chinese, unless other adjustments are made:

(a) Chinese Government will receive benefits of official rates as far as exports are concerned as prices of exports are calculated by converting their cost in *fapi* into foreign currencies at official rate;

(b) Chinese Government will receive benefits of official rate as far as its foreign exchange expenditures are concerned, as unless November 1, 1941 Agreement is revised it will continue to be reimbursed by Board for its foreign exchange expenditures paying the Board in *fapi* at official rate;

(c) Private foreign individuals and businessmen will continue to get official rate for their foreign exchange from Board. The number of people and firms involved is small but they may well object to "discrimination".

(d) With respect to position of Board, consideration raised in point 4 of my TF-122 would gain added force. In fact whole position of Board would become difficult. While November 1, 1941 Agreement and paragraph 4 of General License 75 would require reconsideration in light of changed circumstances, major question would be what would be the function if any of the Board in a situation in which major part of foreign exchange business would be handled by Central Bank at official rate plus 50% completely independently of Board and in which amount of commercial imports foreign exchange, cover for which is provided by Board, is negligible (see section II, 2);

(e) Concentration of most foreign exchange business into hands of Central Bank will strengthen existing trend toward monopolization of business by Government and semi-Government institutions.

Section II. 1. Had a long informal conversation with Dr. Kung on the 27th when he discussed foreign exchange situation with me. He indicated that pressure had been put on him to make adjustments for foreign diplomats, missionaries, et cetera. He could do so in one of three ways:

(a) He could recommend a reduction in official rate. But he was not convinced that a reduction to say 40 was in best interests of China. (This is the mildest expression he has yet used re a reduction in rate his attitude toward which was much less intransigent than formerly.)

(b) He could grant official rate plus 50% and have whole arrangement handled by Board which would receive the 50% from Ministry of Finance just as Central Bank will under arrangements actually adopted or in course of adoption. (This answers point 1 of your 587, May 6 and clarifies section 1 paragraph 3 of TF-120, May 12,³⁷ i. e., settlement of accounts there referred to will be solely between Ministry of Finance and Central Bank.) But it would be embarrassing to Board to do a large part of its business at 30 while official rate was maintained at 20. He had therefore decided on third alternative, namely:

(c) To grant various foreign organizations and individuals official rate plus 50% but to have all such transactions handled by Central Bank. He emphasized repeatedly that this arrangement was *ad hoc* and temporary and could be abandoned if found to be unsatisfactory in practice. It existed on a 24 hour basis and could be immediately scrapped if unsuccessful.

With respect to the position of Board, Dr. Kung pooh-poohed an article appearing in April Central Bank bulletin (forwarded by pouch)³⁸ which stated that retention of foreign representatives on Board was inconsistent with abolition of inequal treaties and advocated fusion of Stabilization Board with Foreign Exchange Control Commission. Dr. Kung made it clear that this article did not express official attitude of Chinese Government. I called his attention to need for tightening up supervision of sales of United States dollar backed savings certificates in order to prevent foreigners receiving *fapi* at 30 from buying certificates at 20. He thanked me for raising point and said it would be attended to. He concluded by promising to review situation with me again in near future.

2. While there is no doubt that Dr. Kung was sincere in stating that Chinese Government wished Board to continue to exist, in situation which would arise if most foreign exchange transactions would be handled by Central Bank independently of Board at official rate plus 50%, Board would be faced with danger of extinction through atrophy. In Chungking Chinese members of Board cannot take initiative in differing from positions taken by Chinese Government. It is not too much to say that Board derives its strength solely from support you and British Treasury are prepared to give it. At least one and probably two of Chinese members would welcome concrete manifestation of such support at this juncture.

In view of Board's predicament and on basis of above and other conversations with Dr. Kung I wish to report my impression that Treasury's opinions would carry weight and would at least strengthen position of Board if Treasury found it expedient to express its atti-

³⁷ Telegrams No. 587, May 6, 6 p. m., and No. 692, May 12, 10 a. m., p. 535.

³⁸ Not reprinted.

tude on following to Minister of Finance either through Chinese representatives in Washington or through me:

a. Treasury's preference for an outright reduction in official rate—say to 40—on grounds that official rate grossly overvalues *fapi* and that procedures now being adopted by Chinese Government create unnecessary complications and anomalies such as indicated in section I, paragraph 5 above, all arising from fact that Chinese Government is trying to change rate without changing it.

b. If *ad hoc* arrangements without reduction in official rate are to be retained, Treasury's preference for their being so handled that foreign exchange receipts and outgoes made under them would be canalized through Board.

[Adler]
ATCHESON

893.24/1601: Telegram

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

WASHINGTON, June 4, 1943—10 p. m.

724. Embassy's 825, June 1, 10 a. m.

1. Embassy is authorized to take advantage of new rate pending the outcome of reverse Lend-Lease negotiations. However, Department desires that no action be taken which might prejudice negotiations in regard to reciprocal aid, which the Department feels offers the most satisfactory solution of the exchange problem unless the Chinese authorities are prepared to lower the official rate sufficiently to make it comparable to the exchange relief anticipated from reverse Lend-Lease and to make such further revisions as may be necessary.

2. Above authorization includes offices of Military and Naval Attachés and other official civil establishments mentioned in the reference telegram. It is assumed that all other official civil establishments of this Government, such as Treasury and Lend-Lease, are entitled to take advantage of the new rate.

HULL

893.5151/9403: Telegram

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

CHUNGKING, June 26, 1943—5 p. m.

[Received June 27—8:45 a. m.]

1030. Department's 802, June 24, 4 p. m.³⁹ New exchange rate was placed in effect by Chinese Government during May. Following receipt of Department's 724, June 4, 10 p. m., Embassy availed itself of the new rate as of May 29th.

³⁹ Not printed; it requested the date the new exchange rate was placed into effect (893.24/1601).

If the Department contemplates making adjustments in allowances and allotments it may be pointed out that the cost of all commodities and services rose approximately 50% between January and June, the equivalent of the increase in the amount of local currency received as a result of the new rate. The living material and service costs mentioned continue to rise steadily at a rate of about 10% monthly.

ATCHESON

893.24/1659

Memorandum of Conversation, by the Chief of the Division of Far Eastern Affairs (Ballantine)

[WASHINGTON,] July 2, 1943.

Participants: Maj. Gen. A. H. Carter, Fiscal Director, Army Service Forces;
Col. E. M. Foster; Col. J. R. Gilchrist; Lieut. Col. P. G. Pennoyer; Maj. H. S. Patton, War Department;
Mr. Irving Friedman, Treasury Department;
Mr. Charles Denby, O. L. L. A.;
Messrs. Alger Hiss, Joseph Ballantine, Augustus Chase, Kermit Roosevelt, State Department.

The War Department representatives expressed doubt that the Chinese Government would be able to meet General Stilwell's Reverse Lend-Lease Chinese currency needs for the pay of Army personnel and for other purposes, including especially construction projects, and they considered that the purposes other than pay should have priority even though this well might mean that despite the receipt of large amounts of *fapi* by the U. S. Army, our troops would still utilize the black market for exchange of their pay. The War Department representatives stated that most projects would involve mainly the furnishing of labor for which such currency would not necessarily be required⁴⁰ but they felt confident that U. S. Army expenditures in China would greatly increase and that pay of troops would constitute only a relatively small portion of the total. They said that it would be difficult to make any firm commitment to use the *fapi* received for troop pay, observing that because of inflation even the transportation of the currency to certain remote areas would be a major problem. It would be difficult also to estimate in advance currency needs for a given period, and in the event of major operations the amount required might greatly exceed what had been anticipated

⁴⁰ Marginal notation: "i. e., if labor conscripted or paid by Chinese."

and what the Chinese could supply. Even should the amount prove sufficient both for pay and other purposes there would be occasions when it would be expedient to use American dollars instead of Chinese currency (even if available) for projects.

One of the points most strongly stressed by the representatives of the War Department was their conclusion that present budget allotments for U. S. military expenditures in China will prove insufficient in view of the continuing spiral of inflation. General Carter said that he was not considering the high policy question of how much should be spent in China as compared to the magnitude of our efforts in other areas, but merely the question of how much is available for China without going back to Congress and asking for more money on the ground that costs in China are "twenty times" what they are elsewhere. It was said that General Stilwell has recently reported on several occasions that the Chinese are "getting away with" a good deal in the matter of prices. . . . General Carter said that the War Department is consequently anxious to get as much Reverse Lend-Lease aid from China as possible.

In the course of the discussion the War Department representatives stated that, although General Stilwell agreed in principle that Reverse Lend-Lease currency should be applied first to the pay of his troops, he could not be rigidly committed on this point, as military exigencies might require the use of so much of the available currency for projects that the amount left would be inadequate to pay the troops. While recognizing the desirability of his troops' abandoning the black market, he considered the morale of his men to be of major importance and that their morale could not be maintained unless they were permitted to have recourse to the black market or received amounts in Chinese currency comparable to what they could obtain on the black market. In other words, General Stilwell was prepared to do his best to carry out the proposed Reverse Lend-Lease arrangement, but he could not afford to have his hands tied to the extent specified in the "Memorandum of Principles".^{40a} [This paragraph represents the net position of the War Department representatives progressively reached in the course of a prolonged discussion. In particular, the "agreement in principle" reflected in the first sentence was not expressed at the early part of the meeting.]⁴¹

It was pointed out to the War Department representatives that the only restriction on General Stilwell which was contemplated was the requirement that he use the available Chinese currency first for the payment of his troops, and that, if he did not receive enough for them,

^{40a} Draft memorandum prepared by the Office of Lend-Lease Administration, June 3, not printed.

⁴¹ Brackets appear in the original.

he would of course be justified in allowing his men to resort to the black market. It was generally agreed that it should be understood that provision of sufficient *fapi* to permit adequate compensation of personnel would be a condition of the whole arrangement in so far as agreement to keep American troops out of the black market is concerned.

The War Department representatives raised the point that the adequacy of the proposed compensation factor to be fixed by the Treasury might not prove acceptable to General Stilwell, and it was agreed that in this event the whole scheme would have to be abandoned.

It was pointed out to the War Department representatives that the whole arrangement was also dependent upon what the Chinese would accept; that the Chinese were naturally sensitive to our troops resorting to the black market; that we had already indicated to Dr. T. V. Soong that the proposed arrangement could be expected to put an end to this practice; and that the Chinese, mindful that what they granted to us would have to be granted to other governments, would probably not accept the arrangement if this were not the case.

At one point General Carter suggested tentatively that in order to minimize black market operations it might be well to request the Chinese Government to make dollar currency illegal in specified areas. [However it is believed that after further consideration, the War Department would conclude that such action would probably not be desirable from the viewpoint of the War Department as it would tend to interfere with General Stilwell's desire to retain freedom to operate outside the agreement.]^{41a}

Mr. Hiss then reviewed in broad terms what the Department of State would like to be able to propose to the Chinese, including an undertaking that, provided the Chinese fulfilled their obligations, American military and government personnel would except in cases of clear military exigency not patronize the black market, although General Stilwell would reserve the right to make official purchases and contracts apart from the agreement. General Carter stated that he was inclined to favor the proposition as so stated in general terms, but that the War Department objected to the rigid and mandatory character of the phraseology employed in the "Memorandum of Principles" submitted by the Office of Lend-Lease Administration. It was finally agreed that Mr. Hiss would revise the phraseology in question with a view to meeting if possible the War Department's desires.

At the request of those present, Mr. Ballantine then briefly discussed the broader political factors involved.

J[OSEPH] W. B[ALLANTINE]

^{41a} Brackets appear in the original.

893.24/1618: Telegram

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

CHUNGKING, July 6, 1943—7 p. m.

[Received July 6—3:39 p. m.]

1108. Department's 659, May 24, 9 p. m.⁴² We are reliably informed that the proposed reverse Lend-Lease agreement received favorable discussion at a recent Executive Yuan meeting. Neither Dr. Kung, whom I have seen frequently, nor any other Chinese official has so far mentioned the matter of a possible reverse Lend-Lease agreement to us.

ATCHESON

893.24/1628

Memorandum Prepared in the Department of State

[WASHINGTON,] July 8, 1943.

INFORMAL STATEMENT OF THE UNDERSTANDING OF THE DEPARTMENT OF STATE AS TO THE PRINCIPLES WHICH ARE TO GOVERN THE DISPOSITION AND USE OF CHINESE CURRENCY RECEIVED AS REVERSE LEND-LEASE.

Note: The purpose of the present memorandum is to serve as background for use by officers of the Department of State and other officers of the United States Government who may participate in negotiations with representatives of the Chinese Government for a reverse lend-lease agreement along the lines of the draft agreement handed to Dr. T. V. Soong by Assistant Secretary of State Dean Acheson on May 15, 1943.

Category I. Chinese currency to be used to provide compensation adjustment for American civilian officials and military personnel in China.

1. The Treasury Department has already drawn up a definitive draft of the necessary legal document to provide authorization for the payment of Chinese currency as an adjustment of the salaries of American civilian officials and of the pay of American troops in China.*

2. The Chinese currency utilized for compensation adjustment is to be regarded by the United States as being received from the Chinese

⁴² Not printed, but see footnote 29, p. 541.

* It is understood that the Treasury Department is prepared to collaborate with the War Department, the State Department and the Lend-Lease Administration in the prompt formulation of the procedural steps which are to be adopted to carry out the contemplated receipt and distribution of Chinese currency under this category. It is suggested that the agencies mentioned undertake to draw up such procedural plans as may be called for to insure successful operation of this part of the proposed arrangements. [Footnote in the original.]

Government as exchange adjustment, such currency (together with other currency to be received under reverse lend-lease arrangements [see category II *infra*])^{42a} to be credited to the Chinese on lend-lease account in terms of Chinese currency, final adjustment of the account to be made at some future date after the termination of the war. For its part the United States Government will deliver to the Chinese Government dollar exchange to the amount provided by statu[t]e and regulation for regular salaries and troop pay, not including compensation adjustment, to the extent that such regular salaries and pay are paid in Chinese currency.

3. Under the contemplated procedure the Secretary of the Treasury will fix a compensation factor to be used as the basis for determining the amount of Chinese currency to be paid as compensation adjustment with respect to civilian salaries and troop pay. It is understood that as a practical matter the Treasury Department will take into account all appropriate factors and opinions including, of course, the opinions of the appropriate military authorities and appropriate representatives of the other civilian agencies interested. It is to be understood that if General Stilwell should not be satisfied that the compensation adjustment computed on the foregoing basis was adequate for any given period of time, the operation of this part of the proposed arrangements would in fact not be practical. Since the entire purpose of this category of the proposed reverse lend-lease currency arrangements is to ease the exchange difficulties of Americans officially stationed in China, of whom the great majority are Army personnel, General Stilwell must maintain freedom of action to determine whether the proposed exchange relief measures constitute in fact an improvement or an impairment of the present status of his forces and to accept or reject relief accordingly.

4. The Department of State considers that in order to be in position to request the Chinese Government to advance currency for the purpose under reference, the Government of the United States will for its part have to be able to give assurances that, provided sufficient Chinese currency is obtained to make a reasonable adjustment of the compensation of American official personnel and American forces stationed in China and subject to the imperative requirements of major military exigencies (which are not now in fact foreseen as likely to arise), the United States Government will take steps reasonably calculated to prevent American official personnel from resorting to the so-called "black market". To this end, subject to the conditions recited in the preceding sentence, it is anticipated that the payment of salaries and troop pay in currency other than Chinese currency will be discontinued or appro-

^{42a} Brackets appear in the original.

priate safeguards will be established to insure that any such payments made in United States currency can be exchanged only under such conditions as will not unduly hamper the efforts of the Chinese Government to control the "black market". Similarly it is to be anticipated that steps will be taken to see to it that such remittances or allotments as American official personnel may make of their own funds from China will be on a basis which is in accord with the foregoing.

5. All the foregoing, of course, will be subject to any changes brought about in the light of experience by agreement between authorized American and Chinese representatives.

Category II. Chinese currency to be utilized for purposes other than the adjustment of compensation.

1. It is anticipated that Chinese currency made available under reverse lend-lease in amounts additional to the requirements for compensation adjustment will be utilized primarily by authorized representatives of the United States Army for such official purposes as the Army may deem proper in connection with its activities in China. The civilian agencies will also desire to utilize certain of these funds for official purposes, for example payment of rent and acquisition of supplies—especially the payment of rent. It is understood that in any instances in which currency of the category under reference is utilized without any concomitant expenditure of United States dollars, the articles acquired or benefits received by the United States in return for such expenditure shall in fact be regarded as a complete Chinese contribution under reverse lend-lease. It is understood that, so far as the Army now sees, all of the Chinese currency received by the Army for category II purposes will be utilized only in conjunction with the expenditure of the United States dollars in China and such Chinese currency will be regarded by the War Department as merely in the nature of exchange adjustment supplied by the Chinese Government, the Chinese Government to receive credit, in terms of Chinese currency, on its lend-lease account simply for the currency furnished by it, final adjustment of the lend-lease accounts to be made at some future date after the termination of the war.

2. It is understood that, subject only to major military exigencies (which exigencies are not in fact now foreseen), Chinese currency received under reverse lend-lease will be used for category II purposes only to the extent that such currency is available over and above the requirements for compensation adjustment (category I). This limitation is not a limitation upon any existing authority of General Stilwell's. It is merely a definition of the nature of an additional facility that it is proposed will be made available to the United States Army in China. With the exceptions envisaged in this memorandum, the

limitation does not restrict General Stilwell's freedom of action. Without the limitation the Department of State seriously doubts the possibility of working out any satisfactory arrangement; with the limitation there becomes possible the adoption of a broad arrangement which would be of significant benefit to the Army not only in the field of troop pay but also in the general field of procurement and construction. This limitation is moreover, of course, subject to change by agreement between appropriate American and Chinese authorities and is, furthermore, to be interpreted in the light of actual circumstances as they arise. For example, if it should happen that Chinese currency received under reverse lend-lease is available in amounts insufficient to meet requirements of compensation adjustment for any particular period, it would be expected that the proposed arrangements as to compensation allowances would be inoperative so far as the Army is concerned for such period and it might be that the Chinese authorities would have no objections to the utilization of such currency for purposes other than compensation allowances.

3. In general it is to be emphasized that the primary purpose of the currency provisions of the proposed agreement (and indeed of the entire agreement) is to provide an extremely flexible framework under which the United States Army authorities in China by process of agreement with appropriate Chinese officials can arrange for the progressive development of Chinese reverse lend-lease assistance.

RECIPROCAL AID FUND

As a procedural matter it is anticipated that a representative of the Lend-Lease Administration will be designated to receive from the American military forces and civilian agencies in China estimates of their reverse lend-lease currency requirements under categories I and II, to present a request for a "lump-sum" total amount of Chinese currency to the Chinese authorities and to receive such currency as is subsequently made available by the Chinese Government. It is understood that there is general agreement among the interested agencies that reverse lend-lease currency received from China shall constitute a "reciprocal aid fund" and that the necessary accounting and other procedures for the operation of this fund will be drawn up by the Lend-Lease administration and the War Department in consultation with the Treasury and State Departments.

COMMENT WITH RESPECT TO PRESENT PLANS OF THE WAR DEPARTMENT AS TO UTILIZATION OF CHINESE REVERSE LEND-LEASE CURRENCY FOR PURPOSES OTHER THAN COMPENSATION ADJUSTMENT

It is felt that the War Department's present intentions with respect to utilization of Chinese reverse lend-lease currency for construction projects, purchase of materials, etc. may not prove practicable. It is

understood that the War Department contemplates that there would be no uniform rule as to the amounts of Chinese reverse lend-lease currency to be so utilized—in one project such currency may represent 10 percent of the total costs in China, in another 20 percent, and so on. The Army's present intention is understood to be to estimate what the project would cost in the United States, allocate a corresponding amount of United States dollars for it and then utilize Chinese reverse lend-lease currency to such extent as may be necessary to carry out the project. If China could be frankly credited with having furnished under reverse lend-lease that proportion of the completed project represented by the proposition of Chinese reverse lend-lease currency to the total cost (the Chinese currency to be computed at some basis similar to the "compensation factor" mentioned under category I), the proposal would, it is believed, be made more attractive to the Chinese. To insist that the Chinese contribution in this category as in category I is merely in the nature of exchange adjustment and hence has no measurable value, while at the same time determining the Chinese contribution by factors not specially related to exchange questions, is likely to seem arbitrary to the Chinese and may not be acceptable to them. On the basis of its present understanding the State Department would find it difficult to justify the War Department's proposal to the Chinese because the anticipated lack of uniformity in application of the proposal minimizes its relationship to exchange adjustments.

893.24/1628

Memorandum of Conversation, by Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] July 27, 1943.

In response to a call which Colonel Foster had made yesterday in my absence, I telephoned to him today.

Colonel Foster said that the War Department had given study to the memorandum of July 8 on Reverse Lend Lease which the Department had sent to him about July 20 and wish to consult General Stilwell. He said that he had in mind sending by telegram a summary of the memorandum and of the War Department's comments thereon. He wondered whether there would be time also to send a complete text of the memorandum and the War Department's comments to the General.

In reply I said that the Chinese might take the matter up with us at any time and that consequently it was impossible to make any satisfactory estimate of the time element. Colonel Foster indicated that he would send the telegram he had in mind and would in addition send

the full text by pouch but would not count upon a sufficient delay ensuing to permit General Stilwell to do more than reply by telegram to the telegraphic communication.

Colonel Foster read portions of his proposed message to General Stilwell which indicated general agreement by the War Department with the views expressed in the Department's memorandum of July 8. In the portions which he read to me statement was made that General Stilwell would be expected to give priority to troop pay to the extent that adequate Chinese currency was received for such pay and American military personnel were to be prevented from frequenting the "black market" and from investing in the Chinese dollar certificates with the extra Chinese currency made available to them. It was, however, also expressly stated that General Stilwell's freedom of action was not to be restricted and that in the event of military necessity he would not be bound rigidly to adhere to these procedures. Statement was also made that with regard to use of Chinese currency for contract purposes, the War Department contemplates estimating the total cost of a proposed purchase, construction, or other contract expenditure and would then be prepared to pay to China an amount of United States dollars computed on the basis of the compensation factor which the Treasury Department is to determine with respect to civilian salaries and troop pay. Colonel Foster explained that this represented a change in the War Department's views (it is to be noted that this change involves a matter as to which the Department expressed adverse comment in the last two pages of the memorandum of July 8). Colonel Foster went on to say that the army would not wish to have any confusion as to a proportionate ownership of any article or facility acquired by it with Chinese currency received through Reverse Lend-Lease. Consequently it had not been considered advisable to adopt in full the suggestion made in the concluding comment contained in the Department's memorandum. However, it had seemed desirable to adopt some uniform procedure. Colonel Foster also said that in the case of any procurement item which the Chinese were prepared to finance *in toto*, the Chinese would of course be given entire credit under Lend-Lease for such item (I gathered the impression that Colonel Foster contemplates that items of this kind would be acquired or constructed by the Chinese authorities and then made available to our forces and that all procurement by our forces with Chinese currency received through Reverse Lend-Lease would be on the basis outlined above of a proportionate dollar payment, the Chinese contribution being regarded simply as exchange adjustment and not as a substantive contribution).

I asked Colonel Foster whether he had planned to suggest that General Stilwell consult the Embassy. In reply he said that he

thought it would be helpful if he were to add a sentence informing General Stilwell that the latter should feel free to discuss the telegram with the Embassy and with the Treasury representative at Chungking.

893.24/1627 : Telegram

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

CHUNGKING, July 27, 1943—11 a. m.
[Received 3 : 18 p. m.]

1307. Embassy's 1108, July 6, 7 p. m.

1. Arthur Young⁴³ has come to see me on his own initiative to discuss the question of reverse Lend-Lease. He stated that in his capacity of adviser to the Ministry of Finance he has been urging upon Dr. Kung and other concerned officials favorable consideration of the matter and that in general the attitude of these officials has been favorable. He said that the chief apparent obstacle at present was a fear in some Chinese quarters that if and when China should become a major base of operations against Japan and we should have in China large numbers of American troops China would be giving us under reverse Lend-Lease much more than China had received or would be receiving. Dr. Young indicated also that he was interested in learning whether it was the American concept that reverse Lend-Lease would involve the furnishing by China of strategic materials. Having in mind the draft enclosed with the Department's instruction 250, March 17, the second substantive paragraph of Department's 649 [659], May 24,⁴⁴ and third paragraph of message to Fowler from OEW⁴⁵ in Department's 752, June 14,⁴⁶ I said that I did not think that the furnishing of strategic materials by China was contemplated under reverse Lend-Lease; that in general reverse Lend-Lease was entirely voluntary and my understanding was that the obligations of the other party in such arrangements with us were to be considered as naturally limited by the other countries' capacities and potentialities; thus it seemed to me, speaking personally, that under the terms of the proposed agreement and within the framework of the general concept China could by entering into such an agreement enjoy the obvious political benefits thereof and still retain final discretion as to amount of reverse Lend-Lease to be furnished.

2. Mr. Fowler of OEW has since receipt of Department's 752 several times asked what progress was being made towards effecting a reverse Lend-Lease agreement with China. I have the impression that the

⁴³ American adviser to the Chinese Ministry of Finance.

⁴⁴ Not printed, but see footnote 29, p. 541.

⁴⁵ Office of Economic Warfare.

⁴⁶ *Post*, p. 653.

message in question influenced Fowler to feel that if and when any subsidiary or other conversations with Chinese officials should take place here in regard to the matter, he would be involved as one of the American negotiators. On July 25, Mr. Lucker of OEW, who has just arrived, stated that before he left Washington, he was told by Department to consult me as to what progress had been made with Chinese in the matter. He said the Secretary of State and the Chinese Ambassador had had a number of discussions of it and also that he had seen a memorandum indicating that the question of the furnishing of strategic materials was entirely without the purview of the proposed agreement. (Mr. Fowler on the other hand has put forth his firm opinion that the furnishing of strategic materials is necessarily and must be part of China's obligations under a reverse Lend-Lease agreement.)

3. As will be obvious from the above the Embassy is in a somewhat awkward position. We have not received from Department information in regard to what if any developments have taken place in Washington subsequent to those described in Department's 649 [659]. I have no desire to interject the Embassy prematurely into a matter that is assumably under negotiation in Washington but unavoidable circumstances are, as indicated, getting us involved in it to some extent. Arthur Young states that he is coming to see me again in the matter in a few days and I should like, unless Department perceives objection, to be in a position to tell him definitely whether or not the question of the purchase of strategic materials (as well as the question of transportation costs for strategic materials mentioned by OEW in Department's 752) is involved. I may add that I think a fair possibility of facilitating the matter rests to an appreciable extent upon Young, as the Finance Minister has asked him to study the matter and Young himself is favorably disposed toward the proposal, and especially as Dr. Soong is now absent from Washington.

4. As for Mr. Fowler's connection with the matter, I may say confidentially and frankly that while I consider that he is, as an experienced businessman, capable and effective in his procurement and related activities I would envisage almost certain crossing of the wires if he should continue to receive instructions which lead him to believe that it will devolve upon him to "negotiate" with Chinese officials in regard to the conclusion of a reverse Lend-Lease agreement. If such agreement is concluded and if it should involve furnishing by Chinese of strategic materials or the payment of transportation costs therefor, participation by Mr. Fowler in the later working out of pertinent technical details would, of course, seem to be appropriate and essential.

ATCHESON

893.24/1627 : Telegram

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

WASHINGTON, July 30, 1943—6 p. m.

990. Your 1307, July 27, 11 a. m. of which 2 sections in 4 numbered paragraphs have so far been received.

1. Department has had no discussion with the Chinese Embassy or Dr. Soong in regard to reverse lend-lease other than upon the two occasions described in Department's 637, May 19, 9 p. m.⁴⁷ and 659, May 24, 9 p. m.⁴⁸ and has been awaiting responses on the part of the Chinese Embassy to Department's communications. It is believed that Mr. Lucker must have misunderstood the status of our discussions with the Chinese Embassy and Dr. Soong.

2. Department has assumed that discussions relating to the proposed agreement and actual negotiations thereof can probably be most conveniently conducted here. Paragraph in Department's 752 of June 14, 3 p. m.⁴⁹ to which you refer was in no sense meant to indicate that Fowler was to participate in actual negotiations. As stated in the fourth sentence of that paragraph, it has been contemplated that it may possibly be desirable to explore, if and when the agreement is entered into, the question of placing thereunder certain inland transportation costs of strategic materials. Please make this clear to Mr. Fowler.

3. Department and other interested agencies have from the outset contemplated that actual purchases of strategic materials from China would not be covered by the proposed agreement, and the Counselor of the Chinese Embassy was so informed orally in the conversation described in Department's 659, May 24, 9 p. m. You may so inform Mr. Arthur Young and Mr. Fowler pointing out at the same time that the entire concept of lend-lease agreements is that they are entirely voluntary and that agreements on this subject merely set forth general principles to be followed by the parties thereto, details of actual transfers to be worked out subsequently by mutual agreement between the appropriate foreign and American authorities.

4. Department has experienced difficulties and delays in reaching full understanding with other interested agencies as to accounting procedures to be followed under proposed reverse lend-lease agreement. In view of the novelty and complexity of the proposed exchange and currency arrangements, this is not surprising and Department is inclined to be encouraged by the progress already reached toward unanimity. On or about July 20 Department presented to the

⁴⁷ Not printed, but see footnote 25, p. 537.

⁴⁸ Not printed, but see footnote 29, p. 541.

⁴⁹ *Post*, p. 653.

War Department an informal memorandum dated July 8 which had been previously informally approved by Lend-Lease Administration and the Treasury Department. This memorandum set forth the Department's understanding as to the principles which are to govern the disposition and use of Chinese currency which may be received under the proposed reverse lend-lease agreement. Department has in the past few days been informed informally that the War Department is in general agreement with the understanding set forth in the memorandum and that a summary of the memorandum together with the War Department's comments is being sent by telegram to General Stilwell who is being authorized to discuss the matter with the Embassy and with the Treasury representative at Chungking. The substance of the present informal agreement among the interested agencies is more or less along the lines with which the Chargé was familiar before he left Washington. It is proposed that Chinese currency furnished under reverse lend-lease will be asked for and received in a lump sum. Subject to military exigencies the currency so received will in the first instance be utilized as compensation adjustment for the salaries of American civilian officials in China and the pay of American armed forces in China, the amount of the compensation adjustment to be computed by the Treasury Department under existing statutory authority. Additional Chinese currency received as reverse lend-lease aid will be utilized, presumably on the basis of similar computations, for payment of rent by civilian American agencies in China and for procurement and construction purposes by the American armed forces in China. Copies of the Department's memorandum of July 8 and other relevant documents are being forwarded by air pouch.

5. In view of the fact that according to present indications of the War Department's intentions (*a*) most Chinese reverse lend-lease aid would be in the form of Chinese currency and (*b*) all or practically all Chinese currency which might be received under reverse lend-lease would be expended only in conjunction with the expenditure of United States dollars in amounts regarded as equivalent on the basis of reasonable exchange value to the total amount of Chinese reverse lend-lease currency expended, the Department does not consider that it is likely that under the proposed agreement China would be asked to give to us under reverse lend-lease more than China receives from us under lend-lease. In addition Department concurs in the views expressed by you in the last sentence of paragraph 1 of your telegram under reference.

6. Department hopes that the foregoing information will enable you to answer the inquiries which Mr. Arthur Young has raised and to make plain to the OEW representatives the Department's position as to the conduct of the negotiations. Please ask Mr. Young for the time

being and until General Stilwell has had an opportunity to comment on the latest proposals to regard the information contained in paragraphs 4 and 5 as for his own background information only and as illustrative rather than definitive.

HULL

893.24/1629 : Telegram

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

CHUNGKING, August 9, 1943—3 p. m.

[Received August 9—2: 05 p. m.]

1412. Department's 990, July 30, 6 p. m. Young called August 4 and I undertook to clarify points he had raised. He called again August [apparent omission] and stated he had explained to Dr. Kung the questions raised and that Kung appeared satisfied except in that Chinese Embassy had not reported Department's oral statement of May 21 in regard to noninclusion of purchase of strategic materials.

ATCHESON

103.91702/3783 : Telegram

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

CHUNGKING, October 6, 1943—3 p. m.

[Received October 7—10: 54 a. m.]

1878. [Here follows report on sale by American civilian personnel of United States currency and drafts in the Chinese black market.]

I am circulating all Foreign Service personnel in China directing attention to provisions of notes IV and V section 1-19 Foreign Service Regulations and am also cautioning all members of Embassy that facilities for issuance of bank drafts for United States currency for any part of their salaries or allowances will be available only for the purposes of direct transmission to the United States and such drafts are not to be sold directly or indirectly in the black market.

Situation reported by this telegram is result of three factors: fantastic and continuously spiraling cost of living, open use of black market by American Army personnel, apparently with tacit approval of American Government, thus creating gross discrimination as between members of the military and civilian services; and subjection of cost of living allowances to income and victory tax which heavily reduces those allowances.

While the only immediate action which can be taken in the present problem of living costs at Kunming, and at Chungking and elsewhere, is by increasing without delay cost of living allowances for American

personnel and further temporary salary increases for Chinese personnel, this is not a satisfactory solution, which can probably be found only in provision of Chinese currency grants by Chinese Government under reverse Lend-Lease and the fixing of allowances in Chinese currency adequate to meet rapidly spiraling living costs. It was my understanding that furtherance of reverse Lend-Lease proposals was awaiting a report from General Stilwell who tells me it was sent in some three weeks ago by telegraph. I trust that Department may be soon in a position to urge the proposal on the attention of the Chinese Government. On cost of living allowances let me emphasize that American personnel do not enjoy full benefit of such allowances due to resulting increase in their income and victory taxes since Treasury Department rules that such allowances represent taxable income. I find that our income and victory taxes are increased by amounts equaling 22 to 59% of the amount of our cost of living allowances. First mentioned figure represents result to unmarried American clerk while latter figure represents my own case. I urge that Treasury be asked to reconsider ruling which includes cost of living allowances as taxable income. Such allowances are in actual fact exchange adjustments. If Treasury unwilling to reconsider matter I urgently recommend legislation by Congress. I am informed that allowances to other services are made in a form which does not bring them within taxable income but so far I have not been able to obtain precise information concerning their allowances.

GAUSS

893.24/1627: Telegram

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

WASHINGTON, October 8, 1943—11 p. m.

1449. Department's 990, July 30, 6 p. m. and final paragraph Embassy's 1794, September 24, 10 a. m.,⁵⁰ in regard to reverse Lend-Lease.

1. Department has been informed by War Department that General Stilwell in recent message expressed agreement in principle with reverse Lend-Lease plan but stressed that pay of Army personnel represents only very small percentage (about 2 percent) of the total monthly expenditures of US forces in China and that principal problem is procurement of materials and labor required to meet military needs.

2. In view of the fact that War Department's attitude on this question is largely determined by military requirements of US forces in

⁵⁰ Latter not printed; in the final paragraph the Ambassador stated: "I trust that Department may soon be in a position to press matter of reverse Lend-Lease which is only satisfactory solution of our financial difficulties in China."

China it is suggested that the Embassy discuss this whole problem with General Stilwell's headquarters with a view to reaching an understanding with Stilwell on financial and matériel requirements of forces under his command which might be included under proposed reverse Lend-Lease.

3. Department further suggests that following an understanding with General Stilwell on this question you call on Dr. T. V. Soong, who while in Washington expressed himself as being in favor of reverse Lend-Lease (Department's 637, May 19, 9 p. m.),⁵¹ and discuss matter with him in the light of the specific needs of our armed forces in connection with the prosecution of hostilities in China against the Japanese and the increasing financial difficulties being experienced by our civilian representatives in China.

HULL

893.24/1664 : Telegram

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

CHUNGKING, October 20, 1943—6 p. m.

[Received October 20—12: 18 p. m.]

1990. Reference your 1449, October 8. Shortly after receipt your message and return to Chungking of Foreign Minister Soong, General Somervell⁵² of Army arrived here and, being greatly concerned over fact that due to exchange rate, airfields, et cetera, are costing American Government in China 4 to 5 times what they would cost in the United States, he approached Foreign Minister Soong proposing an arrangement under which China should provide Stilwell for War Department use Chinese currency at a rate 5 times the official exchange rate or in effect 100 to 1. He stated requirements of Army would very soon reach CN dollars 500 million a month. He suggested that this arrangement be outside proposed reverse Lend-Lease agreement which should be confined to services, supplies, et cetera. After making that proposal orally to Soong, Somervell consulted me and was told that if the arrangement could be made at all it likely could only be made as reverse Lend-Lease. Foreign Minister later asked that Major General Clay who has been here with Somervell should see Finance Minister Kung. Acheson accompanied Clay to see Kung this morning. Kung was opposed to Army proposal but when Acheson suggested its consideration under reverse Lend-Lease he [*he*] showed more favorable disposition and promised to give matter early study. I hope to

⁵¹ Not printed, but see footnote 25, p. 537.

⁵² Lt. Gen. Brehon Somervell, Commanding General, United States Services of Supply.

see Foreign Minister soon after Admiral Mountbatten⁵³ and others leave Chungking and shall ask early consideration of proposed reverse Lend-Lease.

GAUSS

893.24/1665: Telegram

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

CHUNGKING, October 22, 1943—2 p. m.

[Received October 22—1: 21 p. m.]

2005. My 1990, October 20. I called on Soong by appointment this morning accompanied by Atcheson, went over with him the general subject of reverse Lend-Lease and also specifically Somervell's proposals as explained to Kung on October 20 by General Clay and Atcheson, and mentioned that the needs of our civilian establishments would probably approximate CN dollars 5 million a month.

Soong seemed favorably disposed in principle and said that Kung had mentioned Somervell's proposal to him casually but no definitive discussion had taken place. He said that some time ago the Executive Yuan had given consideration to the draft reverse Lend-Lease agreement and had telegraphed to him in Washington some suggestions in regard to it which led him to believe that the matter was not well understood in Chungking; he had accordingly not discussed those suggestions with the State Department as he thought it would be better for him first to go into the matter with concerned officials of the Government upon his return to Chungking. He said he would discuss it with Dr. Kung and other officials and that as soon as practicable we could have a round table discussion.

GAUSS

103.91702/3783: Telegram

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

WASHINGTON, October 31, 1943—1 p. m.

1565. The Department recognizes the urgent need for alleviating the critical situation outlined in your 1878, October 6 and previous telegrams in regard to the personal financial difficulties confronting Foreign Service officers and other civilian representatives of the Government as a result of rapidly rising living costs in China and the purely artificial exchange rate established under the Stabilization Board Agreement.⁵⁴

⁵³ Supreme Allied Commander, Southeast Asia.

⁵⁴ See Treasury Department press release, April 25, 1941, *Foreign Relations*, 1941, vol. v, p. 633.

The Department is still actively endeavoring to find means whereby cost of living allowances may be exempted from inclusion in taxable income.

Please approach the Minister of Finance informally and inform him that this Government regards as imperative Chinese cooperation in establishing, as soon as possible, an equitable and realistic basis for meeting the financial needs of American civilian establishments in China, either by implementation of the proposed reciprocal Lend-Lease agreement or by an adequate special exchange adjustment. Please add that in the meantime the Department has no alternative other than to authorize its diplomatic and consular officials in China to make use of the facilities now utilized by the United States Military Forces in obtaining required Chinese currency.

Effective immediately the Embassy and Consular establishments in China are authorized to sell drafts on the Secretary of State for salaries, allowances and operating expenses of the embassy and consular offices to the Army Post Office at Kunming for United States currency. This will permit payment of salaries and allowances in United States currency and payees will be permitted to acquire Chinese currency therewith by the most advantageous means available to them. Certificates required by Note 5, Section I-19, of the Foreign Service Regulations should invariably be submitted. Please report immediately whether the Army Post Office at Kunming is agreeable to and has sufficient United States currency on hand for encashment of aggregate drafts to be presented monthly.

Department desires exchange of official checks and drafts to be confined to the A. P. O. facility, with the object of keeping official American instruments of exchange out of questionable channels. Accordingly other methods of obtaining American cash dollars for the purpose of exchanging them for Chinese currency should not be resorted to without Department's prior knowledge and approval.

Inform representatives of other agencies.

STETTINIUS

893.24/1672 : Telegram

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

CHUNGKING, November 5, 1943—2 p. m.

[Received 11:15 p. m.]

2085. Reference my 2005, October 22 and previous on reverse Lend-Lease. On October 26 Foreign Minister informed me he had discussed matter with Finance Minister and had no objection to my seeing latter personally. I was unable obtain appointment till yesterday when Atcheson and I saw Kung and carefully outlined situation, referring

to basic Lend-Lease agreement, proposals for reverse Lend-Lease, needs for our Army stated by Somervell now to be approaching 500,000,000 Chinese dollars monthly, situation arising out of official exchange rate which finds cost of airport and other facilities provided by our Army 8 to 10 times costs in United States, reaction and criticism likely to result from this situation, needs of American civilian agencies in China, and necessity of Chinese cooperation in establishing equitable and realistic basis for meeting financial needs of American military and civilian agencies in China either by implementation of proposed reverse Lend-Lease or by adequate special exchange adjustments (see your 1565, October 31, 3 [1] p. m.).

Kung was affable and friendly but, while assuring me that he and Gissimo⁵⁵ and Chinese Government are disposed to do anything possible to help American Government, he gave no indication that matter has in fact had serious study or that any realistic and satisfactory solution will soon be forthcoming. He made it plain, he has no intention of changing present artificial exchange rate, and as to reverse Lend-Lease said he had been surprised that American Army expenditures were of such magnitude as suggested by Somervell, commented that while China would study whether it could give financial aid to us in present situation China might have to turn again to United States for further financial assistance (tending to confirm a suspicion I have had for some time that before long China will be asking for another loan), and as to my intimation (see your 1565) that authorization has been given for our civil agencies temporarily to make use of same facilities as our Army in obtaining Chinese currency, that is by use of U. S. currency in China, said he had no objection but queried whether this might not lead to Congressional criticism and also intimated that U. S. currency [from?] Army forces is finding its way to Shanghai and to the Japs.

Kung talked away from every point made by us and while repeating assurances of desire to be of assistance to American Government gave no indication that any realistic or substantial arrangement is likely soon to be proposed.

I intend to have a further conversation on subject with Foreign Minister but we understand confidentially that latter has been having family trouble with his brothers-in-law and sisters⁵⁶ and his influence in financial matters in which Kung has support of the Gissimo is limited.

I do not anticipate that any proposal from Chinese side, even if forthcoming, will offer substantial relief for our financial problems in China. Our approach heretofore has been informal. I now sug-

⁵⁵ Generalissimo Chiang Kai-shek.

⁵⁶ Generalissimo Chiang, Dr. H. H. Kung, and Mesdames Kung, Sun Yat-sen and Chiang.

gest for consideration a formal approach in precise terms as from our Government following consultations between State, Treasury, War and other agencies concerned.

GAUSS

103.91702/4163 : Telegram

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

CHUNGKING, November 5, 1943—8 p. m.

[Received 9 : 16 p. m.]

2095. Continuing my 2085, November 5, 2 p. m., and with reference your 1565, October 31, 1 p. m. Authorization to obtain United States currency for Embassy, Consulates and other civilian agencies presents practical problems which may be difficult to overcome.

APO Chungking does not have sufficient funds to encash our drafts or checks and according best available information here APO Kunming does not have funds to handle more than perhaps 1 to 5,000 United States dollars. Chief of Staff Army forces says military agencies such as APO and Finance officers have only sufficient funds for their own use and while United States currency might be available at Karachi from United States Army there, the problem would be to bring it into China and risk and responsibility attaching, which Army would be disinclined to accept. Recent losses of planes due to enemy action on Assam-China run increases risks involved.

Even if United States currency can be made available it is doubtful whether it could be disposed of in any substantial amounts at Chungking. Principal market is at Kunming and any heavy increase of United States currency there might be difficult to exchange.

Embassy estimates that about 40,000 United States dollars monthly would be required for Embassy and other civilian agencies based at Chungking, for salaries and allowances alone. Total of Embassy and all such agencies for salaries, allowances and operating expenses has recently run to as much as 140,000 United States currency a month.

While your 1565 refers to "operating expenses" as well as salaries and allowances, I question whether, except in those few cases where contracts as for rent have unauthorizedly been made in actual United States currency, it would be possible to use such currency since that would necessitate an officer going officially into black market to sell such currency and no exchange vouchers would be obtainable to support accounts.

Embassy does not understand statement that certificates required by note 5 section 1-19 Foreign Service Regulations should invariably be submitted. No such certificates are prescribed by regulations. I have endeavored to ascertain whether there exists any Chinese law or man-

date making illegal the sale of United States currency in China but so far have been unable to do so. As reported in my 2085, Kung raised no objection to our using United States currency. There are regulations punishing by martial law those engaging in certain black market activities in commodities. We know that Chinese Government has sought to cease [*crack?*] down black market exchange shops at Kunming but do not know under what law, if any, this was done.

I will bring Department's authorization to attention of consular officers and representatives of other agencies, and am making inquiry through Consul at Kunming as to possibility of implementing this authorization through encashment of drafts and check for Chungking, sale of resulting United States currency at Kunming and its remittance to Chungking.

Department may find it necessary to arrange with War Department for supply of United States currency by United States Army to Kunming or Chungking.

I will report further upon receipt of information requested from Consul at Kunming.

GAUSS

893.24/1673

Memorandum of Conversation, by Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] November 11, 1943.

Subject: Reverse Lend-Lease Discussion With China

After discussing the matter with Mr. Stanton, I telephoned Colonel Foster in order to call his attention to the latest communication we have had from Chungking on the above subject, namely, Mr. Gauss' telegram 2085 of November 5, 2 p. m. I told Colonel Foster that the Department had already sent a paraphrase of this telegram to the War Department and suggested that if he had not yet obtained a copy I thought he would wish to take steps with the War Department's liaison officers in order to get a copy. I then summarized the substance of the telegram and stressed the fact that Mr. Gauss now suggests that we consider making a formal approach in precise terms.

Colonel Foster asked me if I had heard any reports as to General Somervell's statements on this subject since he has returned to Washington. I said that I had not. Colonel Foster said that he has not yet seen General Somervell, but that he has been working on the matter continuously for the past few days, and that he hoped—on the basis of General Somervell's views—to have something concrete within a short time. He went on to say that he was rather surprised at the somewhat discouraging tone of Mr. Gauss' telegram of November 5 in view of

the fact that he understood that General Somervell, according to those who have talked to the General since he returned to Washington, feels rather encouraged that something satisfactory can be worked out with the Chinese on this subject.

I replied that in the absence of knowledge as to General Somervell's exact views and particularly in the absence of knowledge of what various Chinese officials may have said to General Somervell who had, we understood, conversations in Chungking at which Mr. Gauss was not present, we were in no position to comment on General Somervell's optimism. I said that on the basis of our information we do not feel warranted in being over-optimistic but that nonetheless we thought a further approach would be wise. I asked Colonel Foster please to take steps to communicate the War Department's views on this matter in writing and in precise terms so that we could take up with O.L.L.A. and Treasury the question of making a new concrete approach to the Chinese. Colonel Foster said that he would be glad to take steps to this end. I emphasized the fact that since Lend-Lease agreements are primarily designed to facilitate military operations the views of the War Department are of particular importance and that under the circumstances we would take no action until we heard from the War Department. Colonel Foster agreed that the initiative in this matter now lies with the War Department who can be expected to communicate their views to us in the near future.

893.5151/969a : Telegram

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

WASHINGTON, November 20, 1943—3 p. m.

1672. From the Secretary of the Treasury for Adler.⁵⁷ You are requested to discuss with Dr. Kung the following urgent and secret matter:

1. You are instructed hereby to obtain a quotation from Dr. Kung on the price at which the Chinese Government would be willing to make CN \$400 million per month available to the United States Government to meet United States military and civilian governmental expenditures. Expenditures of the United States Government in China are at present around United States \$15 to 20 million per month. It is to be expected that the equivalent amount of Chinese national currency expenditures could be met at considerably less cost in United States dollars at the new price.

2. In your discussions of this price with Dr. Kung, you should emphasize the fact that the price at which gold is selling in Free China

⁵⁷ Solomon Adler, United States representative on Chinese Stabilization Board.

is about CN \$8,000 to 10,000 per ounce which at the official rate of exchange is the equivalent of United States \$400 to 500 per ounce.

3. For this 400 million yuan per month the United States Treasury would be willing to pay either with (a) United States dollars, or (b) gold on earmark at the Federal Reserve Bank at New York, or (c) by having one-half of the shipments of gold currently being made to China for sale in China be for the account of the United States Government. [Morgenthau.]

HULL

124.935/603a : Telegram

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

WASHINGTON, November 23, 1943—9 p. m.

1684. The Department has interposed no objection to the instructions recently given Adler by the Treasury Department in regard to the possible acquisition of Chinese currency. (Department's 1672, November 20.) However, in view of probability that negotiations may be protracted and that conversion rate to be suggested by Kung may be unsatisfactory Department has informed Treasury that pending wholly satisfactory completion of proposed arrangement Department must maintain freedom of action in arranging for acquisition of Chinese currency on a realistic basis. As an interim measure, therefore, Department has requested War Department to arrange for shipment of \$500,000 in United States currency, your estimated quarterly needs, to Army Finance Officer at Kunming and to authorize him to cash drafts on the Secretary of State and Treasury checks for all Foreign Service and civilian governmental establishments in China. War Department is agreeable to shipment provided prior approval of General Stilwell is obtained. Please impress on Stilwell Department's urgent need for his approval.

Under tentative arrangement, if entire amount cannot be obtained in Karachi, shipment will be made from here, in which case War Department has been asked to endeavor to make interim shipment from Karachi of \$150,000 to meet your November 30 needs. Tentatively it is proposed to ship denominations as follows:

\$100,000 in \$50 bills
 \$200,000 in \$20 bills
 \$150,000 in \$10 bills
 \$ 45,000 in \$ 5 bills
 \$ 5,000 in \$ 1 bills.

Please report if satisfactory.

Full reply to points raised in your 2095, November 5 and other telegrams will be made shortly.

HULL

893.24/1674

Memorandum of Conversation, by Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] November 24, 1943.

Colonel Foster came in to supply us with a copy of a draft of an agreement which the War Department proposes be suggested to the Chinese Government covering the furnishing of Chinese currency for the use of American military forces in China.

Colonel Foster explained that the draft agreement, a copy of which is attached hereto,⁵⁸ was designed to be a supplemental agreement to the general reverse Lend-Lease agreement which has already been proposed to the Chinese Government and that the two agreements would, if approved by the Chinese, be signed simultaneously. The special agreement on currency would, in effect, spell out in detail the means by which China would provide the "financial services" provided for in the general agreement along lines which have already been communicated informally to the Chinese first by Mr. Dean Acheson last May and subsequently by our Embassy in Chungking and by Generals Somervell and Clay (most recently during the visit of the two Generals at Chungking in October). Colonel Foster explained that General Somervell obtained the impression while in Chungking that the Chinese are prepared to enter into an agreement along the lines of the draft special agreement. Colonel Foster was aware of the fact that Mr. Gauss has received a less optimistic impression.

The War Department is contemplating sending Mr. Edward C. Acheson to Chungking to represent the War Department and the Lend-Lease Administration for the negotiation, with the cooperation and advice of the Embassy, of the special agreement. In pursuance of this intention the War Department has sent a telegram to General Stilwell asking whether he approves of such a procedure. Colonel Foster said that if the draft agreement is approved by the interested government departments and if General Stilwell approves the assignment of Mr. Edward C. Acheson to this work the War Department will keep in close touch with us so that the Embassy can be notified in advance of Mr. Acheson's arrival.

There ensued some discussion of the terms of the draft agreement. Colonel Foster was shown a copy of the Department's telegram No. 1672 of November 20 to Chungking, being a message from the Secretary of the Treasury to Mr. Adler in which Mr. Adler was instructed to ask Dr. Kung whether the Chinese Government will sell to the United States Government for United States currency or gold four

⁵⁸ *Infra.*

hundred million dollars worth of Chinese currency per month. Colonel Foster said that the War Department would await the Chinese reaction to the Treasury proposal before going forward with its proposed special agreement and would coordinate its actions with those of the Treasury. He said that he proposed to take a copy of the draft special agreement to the Treasury and to Lend-Lease in the very near future.

It was pointed out to Colonel Foster that the draft agreement provides for making Chinese currency available to the United States armed forces in China. Colonel Foster in turn pointed out that Clause F would authorize the utilization of the Chinese currency to be received under the agreement for the operations of any U. S. agency in China connected with the war effort and that the U. S. Government has a right to determine for what purposes expenditures will be made. He said that in drafting this clause he had in mind the supplying of currency to the Embassy including all the American governmental civilian establishments in China. He went on to say that it seemed to him this method had two special merits: (1) it was consistent with the general military purpose of Lend-Lease activities and (2) it was not so apt to put the Chinese in the position of automatically having to grant similar facilities to the diplomatic and to the civilian establishments in China maintained by other governments.

893.24/1674

*The War Department to the Department of State*⁵⁹

DRAFT TEXT OF AGREEMENT WITH CHINA FOR THE FURNISHING OF A
SPECIAL CHINESE ACCOUNT

1. In the United Nations declaration of January 1, 1942, the contracting governments pledged themselves to employ their full resources, military and economic, against those nations with which they are at war, and in the agreement of June 2, 1942, each contracting government undertook to provide the other with such articles, services, facilities or information useful in the prosecution of their common war undertaking as each might be in a position to supply.

2. In furtherance of that agreement of June 2, 1942, the Government of the United States and the Government of the Republic of China agree to the following plan for making available to the U.S. Armed Forces in China Chinese currency in such amounts as may be mutually agreed upon to assist in meeting the requirements of such U.S. Forces there.

⁵⁹ Handed to Alger Hiss on November 24 by Col. Eugene M. Foster.

a. Initially the Government of the United States will deposit in the Federal Reserve Bank of New York to the credit of the Central Bank of China to the account of the Government of the Republic of China the sum of \$6,000,000.

b. That upon receipt of advice by the Government of the Republic of China that the \$6,000,000 have been so deposited the Government of the Republic of China will have placed in the Central Bank of China, Chungking, China to the credit of such U.S. army disbursing officer as the Commanding General, U. S. Armed Forces in China may designate in writing the sum of 600,000,000 yuan.

c. That monthly thereafter and until such time as otherwise agreed upon, the U.S. Government shall replenish the dollar account in New York by such amount as the Commanding General, U.S. Forces in China requests in order to maintain sufficient balance in the yuan account in China for his needs and the Government of the Republic of China will deposit in the yuan account, yuan equal to the dollars deposited on the basis set forth in sub-paragraph *b*, above.

d. That at any time mutually agreed upon by the Government of the Republic of China and the U.S. Government, the latter represented by the Commanding General, U.S. Armed Forces in China, the working fund dollar account in New York may be reduced or increased to approximate actual requirements and the yuan account in China will be proportionately adjusted.

e. That four-fifths of the monthly total placed in the yuan account by the Government of the Republic of China shall be recorded as a part of China's contribution to the common war effort of the two Governments. That any balances remaining in the yuan account upon termination of the agreement will be returned to the Government of the Republic of China upon payment by that Government in New York of the dollar value of such yuan on the basis on which the yuan account is then being operated in accordance with this agreement.

f. That the Government of the U.S. agrees that the yuan account established in China will be used to meet the requirements of the U. S. Government military forces operating in China, but the U.S. Government reserves the right to determine for itself for what purposes expenditures from this account will be made and basis of settlement of such expenditures. It is further understood that when in the opinion of the U.S. Government the operations of any other U.S. agency in China are connected with the war effort, expenses of such agencies may be paid from the yuan account referred to herein.

g. That the Commanding General, U.S. Armed Forces in China or such officer as he may designate will represent the U.S. Government in completing with any representative designated by the Government of the Republic of China any operating details necessary to make this agreement mutually effective.

h. That the provisions of the agreement are not in lieu of, but are in addition to any other aid which may be mutually agreed upon as a contribution to the common war effort by either party.

i. That any part or all of this agreement may be amended at any time by mutual agreement between the contracting parties.

893.5151/969 : Telegram

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

CHUNGKING, November 24, 1943—midnight [noon?].
[Received November 25—10:06 a. m.]

2228. From Adler to Secretary of Treasury.

1. Saw Dr. Kung yesterday and asked him for quotation on price at which Chinese Government would be willing to make CN dollars 400,000,000 monthly available to United States Government. We had long and amicable conversations though Kung tended to be evasive except toward close. He reviewed Chinese financial situation at some length, claiming that change in official rate would undermine confidence in *fapi* and accelerate rise in prices, to which I replied Treasury was not raising question of official rate and that it made no difference to internal prices whether United States Government expenditures were financed at price of 20 to 1 or of 100 to 1. Kung, after commenting that experts could understand that but not laymen and that it was impossible to keep secret price at which Chinese Government sells *fapi* to us, stated that China has advanced CN dollars 3,000,000,000 since outbreak of Pacific war for constructing airports and providing transportation facilities, et cetera, for USAAF, that China was preparing to ask us for another loan, and that any increase in the expenditures for USAAF would merely mean an increase in amounts he would ask for.

2. At this stage I mentioned the three alternative methods of payment indicated in your point 3 (re your 1672 of November 20th). Kung first rejected all three and offered as alternatives:

(a) His going over USAAF expenditures with Generalissimo and General Stilwell—which he is to do in near future—finding out where it was possible to cut them: and agreeing to bear a proportion, which he did not specify, under reverse Lend-Lease. I pointed out that reverse Lend-Lease negotiations had been protracted and that it might take some time to conclude them, to which he claimed that his Government had already decided to agree in principle and that agreement might be consummated in near future.

(b) His not objecting to Treasury shipping U.S. currency to China to be sold in black market, adding that sales in quantity would push down price. But he did not recur to this suggestion in his final offer.

3. I then pointed out that USAAF expenditures were being financed at official rate, that U.S. Government expenditures in China were out of all proportion to return on them and that U.S. is now selling gold in Middle East to finance its expenditures, emphasizing your point 2. Kung said he had no objection in principle to gold being sold on our account in China, but sales in any quantity would both push price down and compete with China's gold selling policy and in any case would not yield enough to cover our needs. I made it clear that

sale of gold on our account need not compete with theirs if sales conducted through one selling agency, to which he agreed, indicating Central Bank was now selling gold for Chinese Government. He added parenthetically that cost of shipping gold was so high that he was considering keeping gold on earmark with Federal Reserve Bank and selling certificates representing claims on gold rather than selling gold itself.

4. Finally he said he was willing to offer Treasury choice of one of following alternatives: A. 2(a) above. B. Agreeing to your 3(c) subject to Generalissimo's consent and paying 40 to 1 in exchange for U.S. dollars for U.S. Government needs over and above proceeds of sales of gold for our account.

5. Comments on offer. For 4A see my comment on 2(a) above; for this reason alone—not to mention fact that Kung would not specify what proportion of our expenditures China would be willing to finance under reverse Lend-Lease—it is not worth serious consideration as an alternative, though it may be as a supplementary measure. As for 4B:

(a) It is clear from above conversation and from other sources that China does not contemplate selling much gold and that Kung does not expect us to be able to raise anywhere near enough by this means to cover our expenditures. However, with the exertion of sufficient pressure it might be possible to push the sale of gold to the point where it would yield an appreciable part of our needs.

(b) As for price of 40 to 1, it is miserably low. I suggest that Treasury ask for at least 100 to 120 to 1 in which case it might be possible to settle finally at not less than 80.

6. Dr. Kung concluded with remark that above conversation was a preliminary discussion. [Adler.]

GAUSS

893.5151/970 : Telegram

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

CHUNGKING, November 25, 1943—10 a. m.

[Received 11 : 54 a. m.]

2235. 1. Dr. Chi, General Secretary of Board and of Exchange Control Commission, called on me yesterday morning and informed me he had just been instructed by Kung to clarify the following points on Kung's behalf (from Adler to Secretary Treasury only, refer Embassy's 2231, November 24⁰⁰ and your 1672, November 20) :

(a) While Kung had no objection in principle to sale of gold in China on our account he deemed it inadvisable on additional ground

⁰⁰ Not printed.

that other governments had raised question and if he agreed in our case he could not refuse them.

(b) He wished to make it clear in connection with his offer of 40 to 1 (Embassy's 2231, paragraph 4-b) that what he had in mind was China's eventually crediting the amount over and above the official rate paid to us for United States dollars to reverse Lend-Lease.

(c) He would have to review questions raised in conversation of November 23 with Generalissimo and Cabinet before being able make final decision.

2. Called on Kung yesterday evening and he confirmed above. No comment is necessary.

GAUSS

893.5151/969a : Telegram

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

WASHINGTON, December 6, 1943—7 p. m.

1751. Reference Embassy's suggestion that consideration be given to making a formal approach to the Chinese Government in regard to reverse Lend-Lease (Embassy's 2085, November 5, 2 p. m.).

1. Pending outcome of proposal made by Treasury to Minister of Finance (Department's 1672, November 20) in regard to acquisition of Chinese currency, Department does not believe it advisable that a formal approach be made in regard to the conclusion of a reciprocal aid agreement.

2. Furthermore, War Department has tentatively drafted and informally discussed with Department an agreement by which the Chinese Government would deposit 600,000,000 yuan monthly in the Central Bank of China, Chungking, to the account of U.S. Army disbursing officer, against a monthly deposit in Federal Reserve Bank, New York, of U.S. 6,000,000 dollars to the account of the Republic of China. Other provisions are that there shall be mutual adjustment from time to time of these accounts in New York and Chungking "to approximate actual requirements"; that "four-fifths of the monthly total placed in the yuan account by the Government of the Republic of China shall be recorded as a part of China's contribution to the common war effort of the two governments"; that the yuan account established in Chungking will be used to meet the requirements of the U.S. military forces operating in China but that the United States Government reserves the right to determine for what purposes expenditures from this account will be made; that "when in the opinion of the United States Government the operations of any other United States agency in China are connected with the war effort, expenses of such agencies may be paid from the yuan account referred to herein"; and that the provisions of this agreement are not in lieu of but in addi-

tion to any other aid which may be mutually agreed upon as a contribution to the common war effort.

3. If Treasury is unable to reach satisfactory agreement with Kung, War Department tentatively proposes, after further consultation with interested departments here, to see if this agreement which is primarily intended to meet financial requirements of our armed forces but which would also include financial needs of other U.S. agencies in China can be negotiated with the Chinese. It is possible the Chinese Government might agree to conclude simultaneously the War Department's agreement mentioned above and the comprehensive reciprocal aid agreement, the former being regarded as a subsidiary agreement specifying the financial procedure to be followed in supplying Chinese currency.

HULL

893.5151/975 : Telegram

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

CHUNGKING, December 10, 1943—10 a. m.

[Received 1:35 p. m.]

2365. Re matter of reverse Lend-Lease or some other arrangement re exchange financing of United States Army and other expenditures in China (re your 1751, December 6), Kung's reaction to Treasury proposals has certainly not been encouraging (see our 2228, November 24, noon and 2235, November 25, 10 a. m.). Adler is awaiting comment from Treasury before pressing matter further, but is far from sanguine that further informal approaches will be productive.

Our proposals for reverse Lend-Lease equally received little satisfactory reaction from Kung (see our 2085, November 5, 2 p. m.) and within production [*sic*] of Treasury proposals I have not felt that I should press the Lend-Lease suggestion.

War Department's tentative proposal in event of failure Treasury negotiations is merely a repetition of proposal put forward by General Somervell (see our 1990, October 20, 6 p. m.) except that it raises amount required monthly from 5 to 600 million Chinese dollars. Kung's reaction to Somervell plan was plainly adverse. New War Department proposal will certainly meet cold reception.

Treasury may wish to push its negotiations further. If they do not succeed, I recommend that State, Treasury, War, FEA and other interested war agencies should consult and a strong formal approach should then be made to Chinese Government for reasonable equitable financial exchange arrangements preferable within the general framework of reverse Lend-Lease but assuring China of some reasonable accumulations of United States dollars resources.

I feel that, as China is highly sensitive to United States public opinion and criticism, some carefully controlled publicity on existing arbitrary exchange situation in China as affecting costs we must pay for financing war effort here—costs 8 to 10 times those payable for comparable services and facilities in United States—and possible suggestion of Congressional interest in the matter would have beneficial effect here in lighting a fire under those inclined to be non-cooperative and evasive and desirous of continuing to exploit the situation to accumulate large United States dollars reserves out of our war expenditures.

GAUSS

893.24/1676 : Telegram

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

CHUNGKING, December 11, 1943—9 a. m.

[Received 1:38 p. m.]

2377. In order that Embassy may be in position to utilize open market funds for operating expenses as soon as possible, an early clarification as promised in last sentence of Department's 1684, November 23, of questions raised in fifth and sixth paragraphs of Embassy's 2095,⁶¹ would be appreciated.

GAUSS

893.5151/970 : Telegram

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

WASHINGTON, December 11, 1943—7 p. m.

1784. From the Secretary of the Treasury for Adler. Please inform Dr. Kung of the following: (Your 2228 November 24 and 2235 November 25)

1. His discussing with Generalissimo and Cabinet the Treasury's suggestion with regard to purchase of CN\$400 million per month by U. S. Government to meet U. S. military and civilian governmental expenditures is appreciated by the Treasury. Treasury is sure that the Generalissimo and Dr. Kung will appreciate why U. S. Treasury feels that U. S. military and civilian governmental agencies should not continue to purchase Chinese national dollars at present rates of exchange.

2. Treasury feels that it could not justify paying more than 1 U. S. dollar for 100 Chinese national dollars or US\$4 million for CN\$400 million.

⁶¹ November 5, 8 p. m., p. 571.

3. If Chinese Government is not willing to make the requested CN\$400 million per month available in immediate future at cost of US\$4 million, Treasury sees no available alternative to meet immediate situation except for all U. S. governmental agencies to use U. S. currency shipped to China to meet expenditures in China, until more satisfactory arrangement has been worked out with Chinese Government.

4. Before making this request the Treasury fully considered interests of China and feels that the best interests of China and common war effort will be served by the granting of price of CN\$100 to US\$1 for U. S. governmental expenditures. [Morgenthau.]

HULL

893.24/1678 : Telegram

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

CHUNGKING, December 14, 1943—11 a. m.

[Received December 14—7:37 a. m.]

2404. Foreign Office informs us that, if it is agreeable to the American Government, Dr. Soong wishes to sign in Chungking a reverse Lend-Lease agreement in the terms of the draft note enclosed with the Department's mail instruction 250, March 17, 1943 a copy of which (Department's 637, May 19)⁶² was informally [handed] to Dr. Soong in Washington by Mr. Acheson on May 15. I assume that my acknowledgement of such note should be along the lines of enclosure No. 2 to the Department's mail instruction under reference with following phraseological changes: opening of second paragraph: "In reply I am instructed by my Government to inform you"; and final substantive paragraph: "This further integration . . ."⁶³ gives great satisfaction to the Government of the U.S."

While this gesture does not necessarily indicate that the Chinese Government intends to implement the financial provision of the note in a manner satisfactory to us, it at least lays the ground work for future discussions which must ensue on that subject and for possible appropriate supplemental agreements looking to the furnishing of desired financial services to our armed forces and governmental establishments.

Please instruct by telegraph.

GAUSS

⁶² Not printed, but see footnote 25, p. 537.

⁶³ Omission indicated in the original.

893.5151/976: Telegram

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

CHUNGKING, December 14, 1943—8 p. m.

[Received December 15—9 a. m.]

2417. To Secretary of Treasury from Adler. Re Department's 1784, December 11.

1. Called on Kung yesterday evening and informed him accordingly. He said that a price of 100 to 1 was out of the question and that he would rather give us the CN dollars 400 million without any return than take United States 4 million for it. As for our importing United States currency to cover our needs, he personally had no objection as he believed that sales in any quantity would push price down below 50 but his Cabinet colleagues were opposed on ground that *fapi* would tend to be displaced. All he offered was:

a. Repetition of his previous statement that he was to go over USAAF requirements with Generalissimo and Stilwell in near future to determine how much China could undertake to cover under Reverse Lend-Lease.

b. Agreeing, subject to his Government's confirmation, to our buying a portion of our *fapi* requirements at the official rate and to Chinese Government's advancing the remainder, the advances to be credited to Reverse Lend-Lease at official rate. The portion he appeared to have in mind was one-third, but he would make no commitment prior to consulting with his colleagues, though he did say that the portion might be less than half "if necessary".

2. I indicated that the price of United States dollars had become an outstanding issue for all United States Government agencies in China relations and that the working out of a satisfactory arrangement was advisable from point of view of Sino-American relations. Kung replied that "the Generalissimo had said no." When I inquired again into the possibility of the sale of gold, Kung informed me that Chinese Government sales had been quite small, its policy being to buy back a substantial part of what it had sold to keep up price which is now around CN 13,000 per Chinese oz. selling in Chungking.

3. Kung intimated that Generalissimo had discussed exchange rate with President in Cairo⁶⁴ but did not inform me of content of discussion.

4. I pointed out that Chinese Government was giving 30 to 1 for diplomatic, etc. expenditures to which Kung replied that amount granted over and above official rate which he said would be raised from 50 to 100 percent in near future, was a subsidy from the Chinese Government.

⁶⁴ The records of the Cairo Conference are scheduled for publication in a subsequent volume of *Foreign Relations*.

5. Obvious from above and previous conversations with Kung that it will require considerable pressure to get even a moderately satisfactory arrangement from the Chinese. [Adler.]

GAUSS

893.24/1680 : Telegram

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

CHUNGKING, December 16, 1943—2 p. m.
[Received December 16 (17?)—3:33 a. m.]

2428. Upon examination of the files we find that we have two drafts of proposed reverse Lend-Lease agreement which vary considerably in language although not in general purport: (1) draft enclosed with Department's mail instruction No. 250, March 17, and referred to in Department's 313, March 9 and 637, May 19;⁶⁵ and (2) draft received March 30 from Stilwell's headquarters (it was stated in Department's 313, March 9, that was being communicated to Stilwell with request that he furnish Embassy a copy and therefore the copy received by us from him should assumably be identical with that enclosed with Department's mail instruction reference).

We have not yet been able to learn whether (2) is in fact the draft as communicated to Stilwell via War Department or whether its variations from (1) represent suggestions for changes. In any case, as Foreign Office desires a copy of appropriate draft to compare with that in its possession preparatory to signature, we suggest that the difficulty can most easily and quickly be resolved by telegraphing us the final approved text in full as soon as possible—unless that text definitely is the same as the one enclosed with Department's mail instruction No. 250, March 17.

GAUSS

893.24/1679 : Telegram

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

CHUNGKING, December 16, 1943—3 p. m.
[Received December 17—3:05 a. m.]

2429. With reference to proposal that China should now after such a long delay sign reverse Lend-Lease agreement, we suggest that this sudden Chinese decision likely has as principal motive the making of a gesture which would gain China face and praise in the United States and at same time avoid possibility of congressional and other criticism if the circumstances of exploitation of our Army in China [by?] Min-

⁶⁵ No. 637 not printed, but see footnote 25, p. 537.

ister of Finance's services and facilities should become publicly known. Unless steps are taken to implement proposed arrangement, the gesture would cost China nothing. Reports by Embassy to Department and by Adler to Treasury on attitude of Minister [of] Finance do not encourage us to believe that agreement if signed will be implemented satisfactorily.

On other hand it might be serious tactical error to decline to enter into agreement we ourselves proposed and give Chinese opportunity to say they offered to share heavy burden of our military operations in China and had been turned down.

We therefore propose that we inform Chinese orally that we shall be very glad to enter into the agreement but that we suggest that actual signing be timed to coincide with conclusion of appropriate detailed arrangements to implement it. This oral statement might be supplemented by formal approach already recommended setting forth in precise terms the nature and extent of financial services we desire from China.

If notwithstanding foregoing Department considers it preferable to sign the agreement forthwith as accomplishing at least a step forward, we suggest that means be taken to offset possible Chinese effort to outmanoeuvre us by making clear in an official American announcement that the agreement is confined to broad aspects of principles and intentions which merely lay the ground work for implementation which we expect Chinese Government will undertake without delay, especially in provision of arrangements and facilities and services for our Armed Forces which are within capacity of China to supply.

GAUSS

893.24/1676 : Telegram

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

WASHINGTON, December 18, 1943—10 p. m.

1820. Department does not regard as valid the objections raised in the fifth paragraph of Embassy's 2095, November 5 to the utilization of open market funds for operating expenses. (Your 2377, December 11) Under the authorization granted for the sale of official drafts for United States currency, it is contemplated that the Embassy and consular offices will exchange this currency by the most advantageous means available to provide funds to cover their operating expenses payable in Chinese currency. As to the Embassy's statement that exchange vouchers covering such transactions would be unobtainable to support the accounts, a certificate by the officer rendering the accounts describing the exchange facilities utilized to convert the currency, stating the rates obtained, and certifying that it was impractica-

ble to obtain exchange vouchers, will be acceptable in lieu thereof. In this connection see Section V-45, Note 3 of the Foreign Service Regulations.

With respect to the question raised in the 6th paragraph of Embassy's 2095 regarding the submission of certificates under Note 5, Section I-19, as requested in the 4th paragraph of the Department's 1565, October 31, reference is made to the revision of this Note dated June, 1943, which contains provision for such certificates. The substance of this revised note is that certificates should be executed by persons receiving salaries and allowances in dollars to the effect that such dollars have not been converted into foreign currency at a rate more favorable than the prevailing official or current bank rate, except as fully explained in a separate report to the Department. If a joint certificate is utilized it should not be submitted with the accounts but should be prepared on a separate sheet and forwarded directly to the Department under cover of a despatch.

HULL

893.24/1679 : Telegram

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

WASHINGTON, December 22, 1943—10 p. m.

1841. (Reference Embassy's 2429, December 16, 3 p. m.) In view of various recent developments, this whole question is here under reconsideration. The Department is, therefore, not at this moment in position to give you specific instructions regarding action to be taken. As soon as it is in position to do so, Department will further advise you.

HULL

893.24/1681 : Telegram

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

CHUNGKING, December 30, 1943—10 a. m.

[Received 2: 35 p. m.]

2514. (This refers to our 2478, December 22 [23]).⁶⁶

1. Pursuant to Chiang's request, and by appointment I saw Kung December 29 accompanied by Atcheson. I mentioned to Kung that we had discussed with Generalissimo question reverse Lend-Lease and he had requested I see Kung again on the matter. I said I would be glad to communicate to Department any comment or proposal Kung might wish to make.

⁶⁶ *Ante*, p. 482.

Kung indicated that Chinese Government was surprised American Government had not shown immediate favorable reaction to suggestion by Foreign Office that May 15 draft reverse Lend-Lease agreement now be signed at Chungking (our 2404, December 14) as draft had been proposed by the American Government, had been studied by Chinese Government which had dropped its suggested changes, and had been agreed to by Chinese Government. I said that we had not yet received instructions and place of signing was, of course, immaterial. Acheson suggested that the draft had been proposed many months ago and since that time General Somervell had come here with his proposal in regard to U. S. Army expenditures and various related questions had come up for discussion. I inquired whether Chinese Government had any plans to implement reverse Lend-Lease agreement.

Kung replied in vague terms that China's vital economic problem was maintenance of the currency, mentioning that Japan was waging economic as well as military warfare on China, and said that if currency did not stand up everything would collapse. He said he had proposed to Chinese Government that American Army expenditures here be matched dollar by dollar, with some of such expenditures matched by two dollars, and indicated that Chinese Government approved. (He referred to Chinese dollars, of course.) In response to inquiry he confirmed that such proposal involves provision of Chinese currency in ration equivalent to exchange rate of 40 to 60 to 1. He said that Chinese currency so provided would of course be credited to China's reverse Lend-Lease account (assumably at 20 to 1 for currency provided over and above the official rate of 20 to 1). He showed us a letter to him from the President dated November 26,⁶⁷ which he thought had been written in Cairo and mailed in Washington, mentioning that Generalissimo and Mme. Chiang had approached the President in regard to question of inflation in China and that the President had made some suggestion to them which he contemplated discussing with Treasury. Kung said that the President well understood China's difficulties and I replied that we endeavored to keep him and our Government in general fully informed developments as they occurred.

In light of Department's 1841, December 22, we were in no position to make comment other than that outlined above and I said merely that I would let Kung know as soon as instructions were received. Kung was most cordial and affable throughout.

2. We are informed by General Hearn⁶⁸ that an Army "financial adviser named Acheson" is shortly coming here in connection with

⁶⁷ *Ante*, p. 455.

⁶⁸ Brig. Gen. Thomas G. Hearn, Chief of Staff to General Stilwell.

this matter and that accordingly "things will soon begin to happen". Local representative of Chase National Bank states he has been instructed to remain Chungking until arrival of Professor Edward Acheson and has asked for information as to prospective date thereof—information which we could not, of course, furnish as we have not been advised. We hope that if Professor Acheson is being sent here by the [War Department?] for purpose indicated by Hearn he will have full authority to speak for all concerned agencies and thus tend to resolve the deplorable confusion which has resulted from the uncoordinated approaches made by representatives of the different departments interested in the matter.

GAUSS

893.24/1684

Memorandum of Conversation, by Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] December 30, 1943.

Mr. E. C. Acheson, who has been lent by the Lend-Lease Administration to the War Department for service in China as General Stilwell's financial adviser, came to see me yesterday. He plans to leave for China today. He said that he was going without instructions in so far as the main purpose of his assignment was concerned, i. e. to facilitate the working out of appropriate financial arrangements whereby U.S. Army forces in China will obtain Chinese currency at rates better than the arbitrary official rate of exchange. He said that the reason for his lack of instructions on this point was that Secretary Morgenthau in some agitation had called Generals Somervell and Clay to see him as soon as he learned that Mr. Acheson was going out to China on financial matters. Secretary Morgenthau had insisted that the Army should not go forward with financial discussions with the Chinese because of "negotiations" which he (Mr. Morgenthau) is at the moment conducting with the Chinese.

Mr. Acheson indicated that Generals Somervell and Clay are still of the opinion that the most advantageous course of action for the Army to follow is to try to obtain a separate financial agreement having no relation to Lend-Lease or Reverse Lend-Lease. Mr. Acheson indicated that he thought that shortly after he arrived in Chungking it would prove possible for the War Department to instruct him to present the Somervell-Clay proposal to the Chinese. Mr. Acheson is aware of the fact that our own estimate of the situation and that of the Embassy does not agree with the optimism which Generals Somervell and Clay apparently feel on this matter. I urged Mr. Acheson to be sure to call upon Ambassador Gauss promptly and to coordinate his duties as closely as possible with the Ambassador.

EFFORTS TO ESTABLISH A SUPPLY ROUTE TO CHINA
VIA IRAN, THE SOVIET UNION, AND SINKIANG ¹

893.24/1480 : Telegram

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

CHUNGKING, January 2, 1943—3 p. m.

[Received 11:12 p. m.]

7. In connection with Department's 1255, December 22, 9 p. m.² and with the following reply thereto, Department might find helpful reference to Embassy's 1497, December 1 [14], 11 a. m., 1184, October 14, 3 p. m.^{2a} and despatch No. 681 of October 15.³

Chinese and Soviet Governments have reached agreement with regard to transport of Lend-Lease materials across Sinkiang but agreement has not yet been signed. Russians will transport 2,000 tons monthly to Hami or Hsing Hsing Hsia and in addition will supply 300 tons monthly of gasoline (not 600 tons as reported to Currie). Although in principle Chinese undertake to supply 2,000 tons of strategic material for return trip of trucks to Russia, they will be unable to do so and discussions are now taking place with regard to basis on which China will pay for unused capacity of trucks. Chinese admit that they will not be able to deliver more than 1,000 tons monthly to Sinkiang for Russians. Chinese expect that agreement will be signed with Russians in near future.

Chinese are informed of discussions between British and Soviet Governments regarding transport problem but apparently do not have exact information. They view as unrealistic for the present at least any discussions for transportation of more than 2,000 tons of Lend-Lease materials a month across Iran and Turkestan to Alma Ata for trucking across Sinkiang and the Embassy concurs in this view. They realize, however, that British discussions with Russians involve also delivery of materials to Russia. They state that whereas Russians are not requesting advance notice as to character of Lend-Lease materials for China, British are requesting such notification.

The apparent fact that it is the British that are undertaking to obtain for [from] us not only the trucks for transport across Iran but also the trucks for Sinkiang transportation (although the Russians will actually manage the transportation) is somewhat confusing.

¹ Continued from *Foreign Relations*, 1942, China, pp. 591-623.

² *Ibid.*, p. 619.

^{2a} *Ibid.*, pp. 618 and 609, respectively.

³ Not printed.

The Embassy understands that the trucks desired by China are for transportation from Sinkiang to interior China.

GAUSS

893.24/1481 : Telegram

The Chargé in the Soviet Union (Dooman) to the Secretary of State

KUIBYSHEV, January 4, 1943—8 a. m.

[Received January 5—4:35 p. m.]

5. Embassy's 1152, December 29, 1 p. m.⁴

1. Mr. Gifford of the British Embassy now states that:

a. (Reference paragraph 2-*e*) Soviet supply officials in Iran some time ago informed British that they would prefer that the British take supplies consigned to Russia (these supplies are not connected with China) through Iranian ports all the way to Ashkhabad in order to avoid transfer at Meshed. The British agreed and requested visas for a party to survey the road between the Soviet frontier and Ashkhabad. No reply has as yet been received to this request. Embarrassed comments made by Soviet supply officials make it appear that the Commissariat for Internal Affairs has thus far not given consent to the British servicing the stretch within the Soviet Union.

b. (Reference paragraph 5) Information from British in Iran indicates that there would be little difficulty in making available sufficient trucks and equipment to carry up to 4,000 tons monthly from Zahidan to Ashkhabad. The Karachi-Zahidan railroad is again working. The main problem therefore is that of trucks for the Russians to service the stretch through Sinkiang and for the Chinese to service the Chinese interior.

c. He has received a telegram from his Government stating that it understands that the Chinese Government is requesting 4,000 trucks from the American Government to service points between eastern Sinkiang and the Chinese interior. The telegram points out that the British cannot promise at present to receive trucks in addition to those already planned for at Karachi since the Commander-in-Chief of India must have prior operational claims upon assembly facilities there and also upon ports and transport facilities. It adds that although the Chinese seem to have available no other port than Karachi for bringing in trucks for China the Russians have other routes open for supplying their needs (obviously a reference to Vladivostok).

d. In a subsequent telegram just received by the British Embassy the British Government states that the United States authorities are holding up the 4,000 trucks for China because they have been unable to assure themselves that a definite agreement has been concluded between Russia and China.

2. The situation from here appears to be somewhat as follows:

a. In the absence of the necessary trucks the conversations between the British and the Russians and the Chinese and the Russians have

⁴ *Foreign Relations*, 1942, China, p. 620.

become rather theoretical and the whole scheme of sending supplies to China via the Near East and southern Russia is [in] danger of dying of inanition.

b. The difficulty with regard to trucks appears to be four-fold: (1) the inability of the Chinese to obtain an allotment from the United States authorities until definite Soviet-Chinese transit agreement has been concluded; (2) the shortage of vessels to transport them if allotted; (3) the lack of port facilities for unloading and assembling them; and (4) the lack of facilities for sending them overland to Alma Ata.

3. We feel strongly that if the United Nations are to send any appreciable amount of supplies to China along the route contemplated in the near future it will be necessary for them to display an amount of determination, resourcefulness and energy at least equal to that being shown at present in sending supplies to the Soviet Union. The necessary trucks should be allotted at once both to the Russians and Chinese without waiting the conclusion of formal agreements; the shipping space should be allocated; and steps should be taken immediately to begin sending them through the Near East. Although we are not acquainted with the condition of the various Iranian ports east of those now used for Russian transit traffic or with the condition of land communication between such ports and Zahidan we are wondering if United Nations ingenuity if backed by determination would not be able to land the 5,200 trucks, spare parts, assembling equipment, gasoline and so forth at one or several of these ports, to assemble these trucks at point of landing and to send them under their own power overland to Zahidan where they can be loaded with goods for China. From Zahidan they could proceed with their loads to Ashkhabad whence the Russians could transport them and their contents as fast as their railway facilities would permit to the railhead near Alma Ata. From Alma Ata they could go to China under their own power and thereafter be used either by the Russians in Sinkiang or by the Chinese in the interior of China. In referring to Iranian ports we have in mind such points as Chahbar, Jask, or Bandar Abbas.

4. With regard to the discussion in the preceding paragraph there are two considerations which we wish to emphasize:

a. If the Soviet Government were pressed to transport to Vladivostok and thence over its railways the trucks consigned to the Chinese Government it might well emphasize the importance of diverting the trucks to the European front thus defeating the objective in view.

b. It will be observed that the British are proceeding shortly to transport to Meshed by rail and road from Karachi goods for China on the assumption that such goods will be sent forward by the Russians in China. Until and unless the necessary conditions for maintaining the route to China can be fulfilled these goods will accumulate at Meshed thus providing the Russians with ground for urging the cessation at least temporarily of the transport of supplies for China

and an increase of supplies to Russia. If this proposal were performed the capacity of the road between Zahidan and Meshed to carry goods for China might well be compromised. This consideration especially calls for early action on our part toward making available the necessary trucks to both the Soviet and Chinese Governments.

Repeated Chungking.

DOOMAN

893.24/1504

Memorandum of Conversation, by Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] January 11, 1943.

Participants: Major General Burns, Executive Officer of the Munitions Assignments Board.
 Brigadier General Spalding ⁵
 Mr. Ray of OLLA ^{5a} (Mr. John Orchard of OLLA joined the meeting toward its close.)
 Mr. Keary ⁶
 Mr. Hiss

At Mr. Finletter's ⁷ request I attended a conference on the above subject ⁸ in General Burns' office. Mr. Finletter informed me that the meeting had been arranged by General Burns who had requested that Mr. Finletter be present. Due to an engagement with the Secretary, Mr. Finletter could not attend and sent Mr. Keary to represent him.

The meeting was informal and exploratory. General Burns said that the War Department has now received a requisition from the Chinese for trucks for the proposed route. In the course of the conversation General Burns stated that he had been informed by representatives of China Defense Supplies that the whole idea of the new route had originated with President Roosevelt. General Burns also said that Mr. Hopkins ⁹ was most anxious that the route be pushed.

Early in the meeting General Burns read aloud a copy of a cable from General Stilwell ¹⁰ on the subject. General Stilwell expressed himself as believing that it would be better for China's full efforts to be directed toward regaining the Burma Road. He said that he had

⁵ Of the Munitions Assignments Board.

^{5a} Office of Lend-Lease Administration.

⁶ Representing the Division of Defense Materials.

⁷ Thomas K. Finletter, Acting Chief of the Division of Defense Materials.

⁸ "Request by the Chinese for trucks in connection with the proposed route from India to China via Iran and the Soviet Union."

⁹ Harry L. Hopkins, Special Assistant to President Roosevelt and Chairman of the Munitions Assignments Board, United States and Great Britain.

¹⁰ Gen. Joseph W. Stilwell, Commanding General, United States Army Forces in China, Burma, and India.

first heard of the proposed route from Dr. Soong¹¹ at a meeting of American, British and Russian representatives. He indicated that he did not think it was desirable for us to assume any responsibility for actual operation of the route but said that he would make available an officer for "reconnaissance" purposes [General Spalding agreed to supply the Department with a paraphrase of this cable¹²]. General Burns emphasized that he considered it important that General Stilwell's negative attitude toward the road not be allowed to reach the Chinese, as he feared that it might prejudice General Stilwell's relations with the Chinese.

General Burns asked Mr. Ray for the views and recommendations of the Lend-Lease Administration. Mr. Ray said that he felt justified in stating confidently that the Lend-Lease Administration regarded it as of importance that the United States should give all possible assistance to making the route effective. General Burns referred to the difficulty of ensuring regular and efficient transportation over a long route through several different countries. He kept asking the question: How would you organize the route? Mr. Ray suggested that it might be wise to authorize an initial trial shipment of about 800 trucks. These together with Lend-Lease trucks allocated to China which are already in Karachi (now numbering about 350 but subject to diminution if needed by General Stilwell) could be supplied with necessary spare parts and other equipment for prolonged operation and loaded in addition with Chinese Lend-Lease supplies now at Karachi. In view of the fact that the British have indicated that they can supply from Iran and India such trucks as are needed for the Iranian route, Mr. Ray suggested that the additional 800 trucks might be divided on a fifty-fifty basis between the Russians and the Chinese for use on the respective stretches of the road to be operated by them.

General Burns then asked me what the attitude of the Department of State was on the whole matter. I explained that thus far the Department had functioned in connection with the proposed route largely from the point of view of collecting information of assistance to the directly interested agencies in ascertaining the status of the matter. General Burns said that in view of General Stilwell's attitude he thought that the primary question should be one of the political desirability of complying with the Chinese request for trucks. He and General Spalding said that there should be no difficulty at all about obtaining the necessary quantities of trucks and that, although there would be more difficulty with regard to shipping, they did not anticipate very much difficulty on this score either. I referred to the views expressed by our Embassy at Kuibyshev and both General Burns and

¹¹ T. V. Soong, Chinese Minister for Foreign Affairs.

¹² Not printed; brackets appear in the original.

General Spalding said that they had already received paraphrases of these telegrams. I said that I was in no position to speak authoritatively for the Department but that a number of us who had considered the matter had felt there was merit in the views expressed in these two telegrams. I said that particularly it seemed to me that if we could it would be desirable that no impression be given that refusal of the United States to make trucks available had killed a promising new route into China. General Burns, General Spalding and Mr. Ray expressed themselves as fully in agreement with this point of view. As a result of further discussion it seemed to be generally agreed by those present that it might be wise to recommend that the Chinese be informed that this Government is desirous of being as helpful as possible in making the new route effective and that to that end we would be pleased to make available an initial shipment of 800 trucks and that from the operation of these trucks it would be possible to determine whether additional quantities could be effectively utilized over the new route.

At this point General Burns again reverted to the question of adequate cooperative organization throughout the extent of the route. He pointed out that the Army and Lend-Lease Administration are accountable for dispositions made of Government property and that therefore they must be reasonably assured that any trucks allocated to the new route can accomplish the purpose for which they are allocated. I remarked that since the proposal is basically a Chinese proposal it would seem appropriate for the War Department officials to discuss this matter directly with the Chinese and to point out to the Chinese that our officials in charge of Lend-Lease allocation would have to be supplied with an appropriate program of operations which would include adequate reporting and other control measures. General Burns said that he would prefer some such approach rather than any attempt of the United States actually to take over operation and supervision of a route which would in fact have to be operated in part by the British, in part by the Russians and in part by the Chinese. It was suggested that a member of General Wheeler's¹³ staff at Karachi might well turn over the material initially to the British at Karachi and that the Chinese could make arrangements for reports of operations from there through to Sinkiang. It was also pointed out that when our Consulate at Tihwa is opened it might be possible to receive direct reports from that point of materials passing through Tihwa. These combined reports might perhaps supply an adequate accounting system.

In conclusion General Burns said that he was prepared to support the recommendation of the Lend-Lease Administration for an initial

¹³ Maj. Gen. Raymond A. Wheeler, Commanding General, Services of Supply in China, Burma, and India.

allotment of 800 trucks along the lines indicated if the Chinese could supply an adequate accounting procedure. He asked that the views of the Department of State be communicated in a letter to Secretary Stimson¹⁴ with a copy to him.

893.24/1488 : Telegram

The Chargé in the Soviet Union (Dooman) to the Secretary of State

KUIBYSHEV, January 14, 1943—11 p. m.

[Received January 15—8:05 p. m.]

50. Embassy's 5, January 4, 8 p. m. [*a. m.*], paragraph 1a. Soviet authorities have now informed British Embassy that they wish to take delivery of Chinese transit goods at Bajgiran on the Soviet-Iranian frontier. The Embassy adds that it assumes that the obvious inconvenience of receiving supplies of railhead at Ashkhabad has failed to persuade the Commissariat for Internal Affairs to allow foreign truck drivers to enter the Soviet Union. It states that in view of Soviet shortage of trucks the Russians prefer Bajgiran to Meshed as transfer point.

Repeated to Chungking.

DOOMAN

893.24/1505

The Secretary of State to the Secretary of War (Stimson)

WASHINGTON, January 15, 1943.

MY DEAR MR. SECRETARY: The Department is informed that the Chinese Government has requested the allocation of a number of trucks, under Lend-Lease arrangements to be utilized on the proposed new route for Lend-Lease supplies to China via Karachi, Iran, the Soviet Union, and the Province of Sinkiang. As you may be aware from copies of cables which have been supplied to your Department, our Embassy at Kuibyshev has recommended that if practicable this Government, by making trucks available, should lend its support to the attempts being currently made to open this new route.

The Department understands that consideration is being given to a proposal that, subject of course to appropriate safeguards relating to supplying of Lend-Lease equipment, a substantial initial allocation of trucks be made in the near future. Although I am not conversant with all the details of the matter I may say that it is the view of this Department that it would be helpful in our relations with China if this Government could assist the Chinese Government in this matter.

¹⁴ Henry L. Stimson, Secretary of War.

Accordingly, I venture to recommend the proposal under reference to your favorable consideration,

Sincerely yours,

CORDELL HULL

893.24/1513 : Telegram

The Ambassador in the Soviet Union (Standley) to the Secretary of State

Moscow, January 26, 1943—2 p. m.
[Received January 27—7: 12 a. m.]

57. The following telegram has been received from Kuibyshev.

“39, January 22, 3 p. m. For the Ambassador. If you approve please forward to Department and repeat to Chungking the following:

Kuibyshev's 50, January 14, midnight [11 p. m.]. The Chinese Chargé d'Affaires informed me today that 2 weeks ago he had presented to the Soviet Government the following counter-proposal of the Chinese Government:

(a) Owing to lack of warehouses, labor and other facilities at Hsing-hsinghsia, the eastern terminus of the Soviet portion of the supply route should be Hami.

(b) The Chinese Government could undertake to deliver each month to the Soviet Government not less than 1,000 tons of specified cargoes, but it would reimburse the Soviet Government for 75% of the cost of operating trucks returning empty from Hami to Alma Ata.

(c) The Soviet Government having previously expressed readiness to supply the Chinese Government 300 tons of gasoline each month, instead of the 1,300 tons requested by the Chinese Government, the latter accepted such offer, provided, however, that the gasoline is not to be computed within the 2,000 tons of goods to be supplied each month to China by the Soviet Government.

2. The Chargé d'Affaires said that whenever he presses the Soviet authorities for an early reply the latter refer to the absence of any arrangement for the supply by the United States of the trucks necessary for the operation of the route. He believed that if the American Government could in some way assure the Soviet and Chinese Governments that the trucks would be made available he would expect to receive an early and favorable reply to his Government's last proposal.[”]

Repeated to Chungking.

STANDLEY

893.24/1563

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

[WASHINGTON,] January 28, 1943.

MR. SECRETARY: With regard to the matter of the 800 trucks:

It is our understanding that this Government's interest in the matter began with an expression of interest on the part of the President in the

Possibility of establishing a new route to China through Iran and the Soviet Union; that Dr. Alfred Sze¹⁵ on instructions from Dr. Soong made several calls upon Mr. Hopkins in support of the Chinese request that trucks be allocated to the proposed new route; that next there came approaches to this Government from a British official source, with a representation that the British Government was interested because of an expressed Russian and Chinese interest, that the British Government had successfully concluded negotiations with the Soviet Government for the latter's participation in the operation of the route, and that in British official circles it was felt desirable that the trucks be supplied both for material reasons and for political reasons; that in Lend-Lease circles supplying of the trucks has been favored by Mr. Hopkins, by General Burns and by the Lend-Lease Administration; and that in the course of recent conferences General Burns and representatives of the War Department had indicated that 800 trucks could be spared for the route without adverse effect upon the military efforts of the United Nations.

Officers of this Department most concerned with the matter have taken the view that the value of the highway over which these trucks would be intended to operate into China is doubtful, but that allocation and expedition of these trucks for this purpose, and delivery of them at the western terminus of this highway would serve some material purposes useful to the United Nations war effort in some connection; that this investment of transportation would be experimental and, the number of trucks involved being relatively small, would not be expensive; that if we supply these trucks neither the British nor the Russians nor the Chinese would be able to contend that a potentially useful project had been wrecked because of U.S. failure to cooperate; whereas if we refuse to supply the trucks, some one or more of those Governments is almost sure to make that charge; and that, therefore, allocation of these trucks to this project would be politically advantageous and would stand a fair chance of serving a material purpose as well.

The latest word that we have on the subject, which has come in this morning, gives support to this view. A telegram from Moscow dated January 26 repeats a telegram from Kuibyshev dated January 22 reporting on information given by the Chinese Chargé d'Affaire[s]. This telegram ends with a statement that the Chargé said that, in the negotiations between the Soviet Government and the Chinese Government for exchange of goods, discussion of details being in process, whenever he urges the Soviet authorities to hasten their replies those authorities cite the absence of any arrangement whereby the United States would supply the trucks necessary to carry out the operations;

¹⁵ Former Chinese Ambassador in the United States.

and the Chargé said that he believes that if by some process the American Government could assure the Soviet Government and his Government that the trucks would be supplied he could expect to receive from the Soviet Government an early and favorable reply to the latest proposal which his Government had made.

Such appear to be the simple facts and the essentially important considerations.

We are not contending strongly either for or against this proposed allocation. We feel it politically desirable. We feel that it might have material advantages as well. We feel, however, that this Department should not take or be represented as taking a substantial responsibility for whatever decision is arrived at. This Department's opinion has been sought and it has been given. As given, it brings out and stresses the political angles of the question.

All that we urge is that the War Department take into consideration *all* of the points, factors, possibilities, etc. that, bearing upon this problem, have been brought to its attention.¹⁶

893.24/1526

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

[WASHINGTON,] February 3, 1943.

MR. SECRETARY: You will recall that you told Mr. Ballantine¹⁷ and me last evening of further comments made to you by Mr. Stimson in regard to the matter of 800 trucks and that Mr. Stimson emphasized especially the view which he had gained as a result of making inquiries that the transportation route in question would be so hard on rubber tires that the tires would be damaged and the Chinese would get little, if any, use from the trucks. You mentioned that Mr. Stimson expressed the view that we might tell the Chinese that the rubber aspect of the situation, including the rubber shortage in this country, made it not feasible for this Government to furnish trucks at this time. Mr. Stimson said further that if of course you insisted they would carry out your recommendation.

You will recall further that in the memorandum which Mr. Hornbeck furnished you on January 28 (copy here attached)^{17a} cognizance was taken of the material aspects of the proposed allocation of trucks; it was pointed out that the allocation suggested, if made, might or might not result in material advantages; and attention was called to

¹⁶ This memorandum was sent on January 29 to the Secretary of War by the Secretary of State, who on January 27 in a telephone conversation had discussed the subject of proposed allocation of trucks to China.

¹⁷ Joseph W. Ballantine, Division of Far Eastern Affairs.

^{17a} *Supra.*

political ends which might be served by such an allocation and which therefore should be given consideration.

The memorandum of January 28 concluded as follows:

[Here follow last two paragraphs of memorandum.]

It is our feeling that the views expressed in the memorandum of January 28 are sound and represent all that this Department can appropriately contribute on the subject.

M[AXWELL] M. H[AMILTON]

893.24/1527: Telegram

The Ambassador in the Soviet Union (Standley) to the Secretary of State

KUIBYSHEV, February 10, 1943—10 p. m.

[Received 10:20 p. m.]

144. My 5, January 4, 8 p. m. [*a. m.*] The Chinese Chargé d'Affaires has informed me that as a result of recent negotiations with the Russians in regard to Chinese questions there were indications that an agreement on all points would soon be reached and that the Russians had requested that the final adjustments be left until the new Chinese Ambassador¹⁸ arrives in about 10 days. He stated that supplies for China were already arriving at Zahidan and were being moved by trucks to Ashkhabad; however, there were not sufficient trucks to handle all the supplies which were being accumulated in Zahidan.

Repeated to Chungking.

STANDLEY

893.24/1555: Telegram

*The Ambassador in the Soviet Union (Standley) to the Secretary of State*¹⁹

Moscow, March 19, 1943—5 p. m.

[Received March 19—4:15 p. m.]

183. The new Chinese Ambassador has informed me that in his initial conversations Molotov²⁰ and Kalinin²¹ had emphasized the great strength and endurance of Japan and had given the Ambassa-

¹⁸ Foo Ping-sheung.

¹⁹ Paraphrase of this telegram sent March 24 to the Secretary of War, and its substance sent to the Chargé in China in Department's telegram No. 401, March 25, 8 p. m.

²⁰ V. M. Molotov, Soviet Commissar for Foreign Affairs.

²¹ Mikhail Ivanovich Kalinin, President of the Presidium of the Supreme Council of the Soviet Union.

dor the impression that the Soviet Union was determined to be most circumspect in its relations with Japan in order not to permit development of any untoward incident.

He stated that in his conversations with Molotov and Mikoyan²² on the question of transit shipments through the Soviet Union a figure of 2,000 tons a month had finally been agreed upon; that although the Russians at first had insisted upon return freight of a like tonnage consisting of minerals and agricultural products they finally had accepted a figure of 1,000 tons and payment in cash of 75% of the freight costs involved in sending the trucks back empty; that 500 tons of oil would be included in the outbound tonnage and that as transport facilities improved the oil tonnage would be in addition to the original tonnage. The Ambassador stated that 1,056 trucks would be needed on the Alma Ata-Hami run and 2,000 additional trucks on the Hami-Chungking run to move this tonnage and that he had requested T. V. Soong to urge through Harry Hopkins that every effort be made to supply the trucks necessary to put this line in operation and I informed him that I would also emphasize to the Department the importance of expediting action in this respect.

The Ambassador stated that he felt that the agreement with the Russians was a real accomplishment in view of present Soviet caution vis-à-vis Japan and that it was vital that the route be put into operation as soon as possible not only because of its political significance but also in order to develop the transport facilities so that freight tonnages could only be increased.

STANDLEY

893.24/1564: Telegram

The Ambassador in the Soviet Union (Standley) to the Secretary of State

Moscow, March 29, 1943—10 a. m.

[Received 3:21 p. m.]

217. The following telegram has been received from Kuibyshev.

"March 26, 8 p. m. For forwarding if you approve to the Department and repetition to Chungking as Kuibyshev's 282, March 26, 8 p. m.

With reference to the information reaching the British Embassy (please see Kuibyshev's 5, January 4, 8 p. m. [*a. m.*]) to the effect that the American Government would be prepared to fill requisition for trucks when made by Chinese MOCT^{22a} after conclusion of a definite

²² Anastas Ivanovich Mikoyan, Soviet Commissar for Foreign Trade.

^{22a} Ministry of Communications [and Transport].

agreement between Chinese and Soviet Governments, Chinese Ambassador stated to me yesterday that during his recent stay in Moscow he reached with Mr. Mikoyan, Foreign Trade Commissar, a firm and definite agreement substantially along the lines of our 39, January 22, 3 p. m. to Moscow.²³ He said that owing to the obvious sensitiveness of the Soviet Government to Japanese reaction and of its desire to avoid the signing of any agreement on what it regards as a delicate matter, he did not insist that the arrangement be reduced to writing. He said that he remarked to Mr. Mikoyan at the conclusion of their final interview that it was gratifying to know that the two Governments could now proceed to the operation of the supply route and that Mr. Mikoyan, who had been most accommodating and helpful throughout the negotiations, expressed assent. Dooman.”

STANDLEY

893.24/1569 : Telegram

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

CHUNGKING, April 1, 1943—10 a. m.

[Received April 1—9: 55 a. m.]

479. Department's 401, March 25, 8 p. m.²⁴ In conversation last night Soviet trade representative informed me that 7 to 800 tons of cargo per month is now moving from both directions across Sinkiang in Soviet trucks. Cargo for China consisting gasoline, spare parts for Russian trucks in Lanchow and miscellaneous articles of non-military nature. Outgoing cargo consists of metals and minerals, hides and skins, wool, bristles, tea and other miscellaneous items in small lots. This cargo movement is not related to the "2000 tons agreement" but trade representative does not believe that Chinese will be able to produce much more cargo after agreement comes into effect. Reiterated request that American trucks be supplied for the traffic.

VINCENT

893.24/1589 : Telegram

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

CHUNGKING, May 6, 1943—5 p. m.

[Received May 6—12: 03 p. m.]

661. Clubb²⁵ reports from Tihwa conversation with Chinese official (Chaucer H. Wu, Special Commissioner at Tihwa for Foreign Affairs)

²³ See telegram No. 57, January 26, 2 p. m., from the Ambassador in the Soviet Union, p. 597.

²⁴ See footnote 19, p. 600.

²⁵ O. Edmund Clubb, Second Secretary of Embassy in China, temporarily assigned at Tihwa.

who has returned from Moscow where he participated in the conferences regarding transportation of Lend-Lease materials over Turk-Sib Railway and across Sinkiang. He was informed that arrangements had been completed; that 1072 American trucks in Iran are to be loaded and transported over Turk-Sib Railway; that about 700 of them will be used by Russians for transporting goods across Sinkiang and about 300 used by Chinese for transportation from Hami into Kansu; and that the trucks will make about 3 round trips every 2 months in order to handle the 2,000 tons monthly of Lend-Lease cargo. They will be loaded with materials for Russia on westbound [trip].

VINCENT

893.24/1589 : Telegram

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

WASHINGTON, May 22, 1943—9 p. m.

651. Reference Embassy's 661, May 6, 5 p. m., in regard to report from Clubb to the effect that, according to Chaucer H. Wu, arrangements have been completed with the Soviet Government for the transportation of Lend-Lease supplies over the Turk-Sib Railway and across Sinkiang; and that 1,072 American trucks in Iran are to be used on this route.

It has been ascertained from Office of Lend-Lease Administration that the actual status of this matter is as follows:

1. Assignment of 500 trucks for early shipment from the United States for the proposed northwest route to China has been made.
2. The British have been asked to supply approximately 500 additional trucks from India on the understanding that truck replacements will be sent them from the United States.
3. A reply has not yet been received from the British.
4. The above-mentioned trucks are intended for operation over the Alma Ata-Hami section of the route.

HULL

893.24/1589 : Telegram

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

WASHINGTON, June 4, 1943—1 p. m.

715. Department's 651 of May 22, 9 p. m. Department understands British have agreed to supply 550 trucks from stock in India and to man them.

HULL

740.0011 Pacific War/3288 : Telegram

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

WASHINGTON, June 15, 1943—3 p. m.

758. Following is substance of telegram dated June 4 received from Embassy, London,²⁶ which is sent for your information :

A report which confirms substantially information received by the Department concerning economic deterioration in Free China has been received by the British Foreign Office from the British Embassy in Chungking. Considerable emphasis is placed in the British report on the critical food situation, especially as a result of the capture by the Japanese of rice districts in the Lake Tungting area. Although the information received by the British Foreign Office confirms the belief that the Chinese Government and intellectual leaders have no intention of seeking a settlement with Japan and feel certain that the United Nations will eventually be victorious, a high ranking British official has expressed himself as being fearful that conditions amounting to an undeclared truce, at least in the border districts, might result from a continuation of this economic distress with its consequent increase in smuggling between the occupied and free areas. The possible effect of the present "soft" policy followed by the Japanese toward the Nanking regime on Chinese claims that economic conditions in regions under puppet control are superior to conditions in territory under the control of Chungking is being given serious consideration by the British Foreign Office.

All aspects of the problem of opening a supply route through Sinciang Province are being studied by the British who are still actively interested in the subject. The transportation monthly of 1,700 tons net of cargo over this route is the present goal. Although this is admitted to be a small amount of cargo the Foreign Office is of the opinion that the moral effect of the transportation of this cargo will be out of all proportion to its size. The plan is to use this route in the first place for industrial and civil supplies which are waiting shipment now in India and which will not be included in the additional supplies which it is planned to transport by air, those being confined to military supplies only. It is the opinion of the Foreign Office that the situation is so grave that no possibility of getting aid to China, regardless of how small such aid might be, should be overlooked.

Although it was agreed that it would be helpful to have Allied air support for an offensive by the Chinese it seemed to be the feeling of the Foreign Office official who was interviewed that the additional air support promised now was about as much as it is possible to expect at this time.

The Department shares the concern of the British Foreign Office and of the Embassy (reference your 803 of May 28, 4 p. m.²⁷) over the seriousness of the general situation in Free China and is continuing, as are other interested agencies of this Government, to give the

²⁶ Telegram No. 3791, June 4, 11 a. m., not printed.

²⁷ *Ante*, p. 57.

closest attention to ways of increasing present military and economic aid to China as a means of alleviating the grave situation there.

For the Embassy's confidential information and guidance it may be added in this connection that the Department's view with respect to the Sinkiang route under reference continues to be that of which the Chargé was while here aware: that interest in and support of this project by this Government rest on our estimate of the political and moral aspects rather than on any belief that the road has substantial economic or military potentialities. We are supplying trucks in response to Chinese, Russian and British solicitation, and for political effect. We do not oppose, but we also do not advocate, intensive devotion of effort and materials to this project.

HULL

893.24/1621b : Telegram

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

WASHINGTON, July 10, 1943—midnight.

4200. "For Harriman²⁸ from Stettinius.²⁹ Russians and Chinese here very concerned regarding recent publicity on new land route to China. U.P. dispatch July 8 from London describes route and names towns. Disclosure attributed to American lend-lease official recently returned from Middle East. We would appreciate your investigating this matter as we have considered it of utmost secrecy due to Soviet relations with Japan."

HULL

893.24/1635

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

[WASHINGTON,] July 12, 1943.

Participants: Mr. J. Franklin Ray, Jr., Assistant Administrator
OLLA
Mr. Perkins³⁰
Mr. Stanton

Mr. Stanton inquired whether there had been any new developments in regard to trucks and drivers for this route. Mr. Ray stated that as we already knew the British had supplied 520 trucks from stocks in

²⁸ W. Averell Harriman, Special Representative of President Roosevelt to facilitate material aid to the British Empire.

²⁹ Edward R. Stettinius, Jr., Lend-Lease Administrator.

³⁰ Troy L. Perkins, of the Division of Far Eastern Affairs.

India; that 200 additional trucks had arrived and were being assembled at Karachi; and that 400 additional trucks shipped from the United States were now on the high seas and should reach India in the near future. He said therefore that there were good prospects that a fleet of a thousand trucks requested by the Russians for operation of the Alma Ata-Hami section of the route would be ready for operation by the end of August. As regards drivers, Mr. Ray stated that the British had furnished a few but that efforts were now being made to obtain Chinese drivers from the Chinese forces in training at Rangarh. Mr. Stanton inquired what supplies and equipment would be shipped in first. Mr. Ray stated that the Chinese had made up their list and that the list included 900 tons of automotive spare parts, tires and servicing equipment, and 1,100 tons of small arms ammunition for General Hu Tsung-nan. Mr. Ray remarked that it was perhaps significant that in the eyes of the Chinese the most important item to be shipped in on the very first lot of supplies transported over this route was a consignment of over a thousand tons of ammunition to the general detailed by Chungking to hem in and watch the Chinese Communists.

893.24/1621 : Telegram

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

LONDON, July 14, 1943.

[Received 4:12 p. m.]

4578. For Stettinius, OLLA, from Harriman. Your 4200, July 10. London *Evening News*, July 6, carried long story about supplies to China with opening sentences:

“Fraught with the greatest possibilities for the near future and post war years is the announcement from Chungking today that arrangements have been concluded for a new supply route to China via Persia and the Turkestan-Siberia railway. News of the Persian route comes as China is preparing to celebrate the Sixth Anniversary tomorrow of the Double Seventh, the seventh of the seventh month, when Japan began the war in 1937.”

United Press reporter came to this office for information regarding it. He was referred to Win Brown²¹ who told him that he had no information about it but pointed to a map which he happened to have (a standard map publicly distributed) and said he assumed that the story must refer to the roads and railroads shown on the map which met the description contained in the article. It was the London

²¹ Winthrop G. Brown, executive officer of Mr. Harriman's mission and of the Mission for Economic Affairs at London.

Evening News which broke the story of the route being opened through Russia and Brown's conversation with the reporter covered nothing that was not publicly known. It never occurred to him that he would be quoted as an authority and I consider it entirely unethical for U.P. to have done so. I am so advising bureau chief U.P., London. In order that there may be no slip in the future I have issued instructions to my staff that no one shall see newspapermen on business except Phil Reed³² and myself. [Harriman.]

WINANT

893.24/1622 : Telegram

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

LONDON, July 16, 1943—6 p. m.

[Received July 16—3:15 p. m.]

4627. For Stettinius from Harriman. Supplementing my 4578, July 14. In reply to your 4200, July 10.

OWI checked with Chinese Embassy who advise London *Evening News* story on new supply route to China was based on announcement made in Chungking by Chinese Minister of Communications and confirmed by Chinese Embassy, London.

I do not understand why Chinese at Washington now object. [Harriman.]

WINANT

893.24/1626a : Telegram

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

WASHINGTON, July 22, 1943—11 p. m.

4410. Deep concern was expressed by T. V. Soong regarding statement made at Chungking by Chinese Minister of Communications regarding the new route for supplies. A cable was sent by him to the Generalissimo³³ immediately, to request that strict instructions be issued to all officials that silence should be maintained regarding this subject. (From Stettinius for Harriman.) The route is not as yet in operation. (This is for your information.)

HULL

³² Philip D. Reed, Deputy Representative in London of U.S. section, Combined Production and Resources Board—United States, Great Britain, and Canada.

³³ Chiang Kai-shek.

893.24/1641

The British Chargé (Campbell) to the Secretary of State

No. 534

46/103/43

1. His Majesty's Chargé d'Affaires presents his compliments to the Secretary of State and has the honour to refer to the question of the Sinkiang overland supply route from India to China.

2. As Mr. Hull will be aware, the limited capacity of the Burma road and of the air route from India has made it necessary to envisage the possible need of an additional high capacity supply route to China. With a view eventually to meeting this need, steps have been taken to develop the Sinkiang route, and, as this route may shortly begin operating on a small scale, consideration has been given by the appropriate departments of His Majesty's Government to the necessity for proper maintenance of the roads. It has been established that transport and vehicle repair facilities can only be obtained with great difficulty, and it is considered undesirable that unnecessary strain should be thrown on these facilities by the bad condition of the roads.

3. Sir R. Campbell is informed that the recently opened route has only been used by a small volume of traffic, and it is probable that some survey and maintenance work will be necessary if the present target of capacity (2,000 tons per month) is to be reached and maintained efficiently. It should also be remembered in considering the importance of maintaining the roads in good order, that the figure of 2,000 tons a month is not necessarily the maximum which the route may eventually have to carry.

4. Sir R. Campbell accordingly has the honour to inform Mr. Hull that His Majesty's Government are proposing to put the above views to the Chinese Government, with the recommendation that they should, in cooperation with the Soviet Government (in so far as this may be required), take such steps as may be necessary for the repair and maintenance of Sections IV and V of the Sinkiang route. Should the Chinese Government make a request for the services of road experts to advise, His Majesty's Government would be very willing to cooperate in lending such assistance.

5. Before making such an approach to the Chinese Government, however, His Majesty's Government are anxious to learn whether the United States Government concur in the action proposed, and Sir R. Campbell would be grateful if he might receive from Mr. Hull an early indication of the views of the United States Government on this matter.

WASHINGTON, August 19, 1943.

893.24/1647

Memorandum of Conversation, by Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] August 27, 1943.

Participants: Mr. J. Franklin Ray, Assistant Administrator
Mr. Robert McCann of the Lend-Lease Administration
Mr. Hiss

Subject: Sinkiang Route to China

I asked Mr. Ray to call so that I might ascertain informally the reaction of the Lend-Lease Administration to the British memorandum No. 534 of August 19 on the above subject. Mr. Ray brought Mr. McCann with him.

After Mr. Ray and Mr. McCann had read the communication they both said that it looked to them as if the British were anxious to make use of the new road as a pretext for obtaining the entry of British nationals into Sinkiang, an objective which the British have vainly attempted to accomplish for some time.

I stated briefly that in the view of this Department our primary interest in the proposed route is with respect to its political aspects. I said that I thought it likely that, having that point in mind, the Department would be inclined to reply to the communication under reference by saying that it was a question between China and Great Britain as to whether the Chinese desire to have British road experts come out to China to help with the repair and maintenance of the Chinese portion of the new road, that this Department has at all times considered the project as being more important from a political than from an economic or military point of view, and that this Government was not undertaking to associate itself with any initiative which the British might take along the lines indicated in their memorandum of August 19.

Mr. McCann and Mr. Ray expressed general agreement with a reply of the kind indicated. Mr. Ray, however, said that he hoped the Department would not feel that it had to stress the military and economic unimportance of the road. He said that the War Department uniformly takes the position that all supplies for the Chinese theater must be under the direct control of American military authorities. As a result only minor quantities of supplies for China can be got to China and these only by great effort. Furthermore the War Department attitude makes it difficult even to plan now for larger supplies for China to be sent when transportation permits. This issue is at present acute with respect to trucks. Lend-Lease is recommending urgently that the War Production Board now schedule for production in the

first six months of 1944 some of the heavy trucks which the Chinese have long been requesting. The Chinese have asked for 10,000 trucks, a figure which Lend-Lease considers entirely reasonable in view of the fact that trucks imported into China from the United States alone in 1941 totaled 13,000 and in view of the further fact that no trucks whatsoever have been imported into China in 1942 and so far in 1943. The Army opposes the scheduling of the production of any trucks for China in 1944. Mr. Ray and Mr. McCann pointed out that even if the Lend-Lease recommendation is adopted no trucks can be got to China for China's own use until the very latter part of 1944 or sometime in 1945 at the earliest by which time China's internal transportation system will be still more critical. Lend-Lease is well aware that even in late 1944 and in 1945 almost all traffic that will go to China directly from India will be under U.S. Army control and the bulk of that will necessarily be for U.S. Army utilization. They therefore consider it important that the Northwest route be regarded as a means of getting lend-lease trucks into China for Chinese use.

I told Mr. Ray that in my opinion the Department felt quite strongly that the Northwest route was not economically important and might even be regarded as disadvantageous in as much as it could in fact be regarded as a diversion of effort and interest from more direct routes to China from India.

Mr. Ray took with him a copy of the British memorandum and said that he would let me know promptly if the Lend-Lease Administration wished to make any further comments. He also undertook to find out for me who might be an appropriate official in the War Department with whom the matter might be discussed informally in an effort to ascertain the War Department's reaction.

893.24/1654

Memorandum of Conversation, by Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] August 28, 1943.

Participants: Colonel William Wood
Lieutenant Colonel Pennoyer
Mr. John Carter Vincent and
Mr. Alger Hiss

Pursuant to an appointment Messrs. Vincent and Hiss called on Colonel Wood and Colonel Pennoyer in an endeavor to ascertain informally views of the War Department with respect to the communication under reference.³⁴

³⁴ British memorandum of August 19, p. 608.

A copy of the British communication of August 19 was left with Colonel Wood and a brief indication was given of the present attitude of the Department as indicated in a memorandum of conversation with Mr. Ray of the Lend-Lease Administration dated August 27.

Colonel Wood said that he thought the War Department had much the same view of the route that this Department has and that so far as he could see a reply along the lines suggested would be suitable. It was agreed that if after further consideration the War Department had any suggestions to make Colonel Pennoyer would call Mr. Hiss some time next Monday (August 30).

Colonel Pennoyer subsequently telephoned to say the War Department had no further comments to make with respect to the Department's proposed reply. He said, however, that he had some question as to whether we should indicate that our approval of plans relating to the proposed route depended solely on political considerations. At this point I reminded him that the formula which the Department has had in mind should not give rise to any such implication. I said that according to my understanding of the Department's view, political considerations outweigh the economic potentialities of the route. It is not our view that political considerations are the sole reasons for the assistance which the United States has agreed to contribute, in form of trucks. Colonel Pennoyer went on to say that in any event he thought on such a question as that the judgment of this Department should be controlling and would be satisfactory to the War Department. He also said that the War Department was heartily in favor of it being made clear that this Government would not wish any new approach to the Chinese by the British to have the appearance of involving this Government in any additional commitments with respect to the furnishing of trucks or other supplies for the operation of this route.

893.24/1654

The Secretary of State to the British Chargé (Campbell)

The Secretary of State presents his compliments to the British Chargé d'Affaires ad interim and refers to the latter's communication of August 19, 1943 in which it is stated that His Majesty's Government are anxious to learn whether the United States Government concurs in a proposal to make certain representations to the Chinese Government with respect to the Sinkiang overland supply route from India to China.

The Secretary of State wishes to express his appreciation of the courtesy of His Majesty's Government in seeking this Government's

views regarding the proposed action. No objection is perceived to the making by the British Government of the approach which that Government has in contemplation and the recommendation indicated. With reference to the expression of willingness on the part of His Majesty's Government to make available to the Chinese Government, should that Government so request, the services of road experts, this matter would seem to be one for determination between the Chinese Government and His Majesty's Government.

This Government regards as important the development of supply routes to China and it offers no objection to any efforts by other Governments in cooperation with the Chinese Government which those Governments may think practicable. His Majesty's Government will recall, however, that from the beginning of consideration of the proposed northwest supply route from India to China it has been the view of this Government that neither the military nor the economic potentialities of this route are likely to be, comparatively speaking, great. In view of its opinion that development of other routes would offer more of an advantage to the United Nations' war effort than development of this route, this Government would prefer not to be associated, either directly or by implication, in any approach which the British Government or any other Government might make to the Chinese in promotion of the idea of diverting expert service, materials, et cetera, to the development of this route.

WASHINGTON, September 7, 1943.

893.24/1660a : Telegram

*The Acting Secretary of State to the Ambassador in China (Gauss)*⁸⁵

WASHINGTON, October 1, 1943—10 p. m.

1407. Shipment of Lend-Lease supplies for China by the Turk-Sib Railway and overland route. For your information, Tehran reports that according to the British Minister two convoys of Lend-Lease supplies consisting largely of small arms and ammunition have arrived at Meshed but that entry into Russia has been refused. From Calcutta Schaberg of Lend-Lease reports that the Russian representatives there have indefinitely canceled arrangements to ship Chinese supplies over this route on the grounds that they cannot handle movement at the present time.

Repeated to Moscow.

BERLE

⁸⁵ Repeated on the same date to the Ambassador in the Soviet Union as No. 938.

893.24/1662 : Telegram

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

CHUNGKING, October 13, 1943—6 p. m.
 [Received October 13—12: 10 p. m.]

1936. Consul [at] Tihwa reported that Provincial Chairman informed him October 9 that Soviets base objection to transshipment of war material to China on desire to avoid arousing Japanese suspicion, that Soviet Ambassador [at] Chungking said he would prefer to have to refer to Moscow Chinese proposal that some military goods be transported, and that the "plan can not be effected at present".

Foregoing refers to Department's 1407, October 1.

GAUSS

893.24/1677 : Telegram

The Ambassador in the Soviet Union (Harriman) to the Secretary of State

Moscow, December 11, 1943—noon.
 [Received December 12—10: 02 a. m.]

2194. I have been keeping in touch with Soviet Commissar for Foreign Trade and with Chinese Ambassador here on shipment of Lend-Lease supplies for China by the Turk-Sib Railroad and overland route. Reference Department's 938, October 1, 10 p. m.,³⁶ had thought matter was progressing favorably. On December 10 Counselor of Chinese Embassy told Hamilton³⁷ in response to inquiry that about 2 weeks ago the Chinese Ambassador had communicated to Chinese Foreign Office Soviet stipulation that Chinese Government supply to Soviet Union 1300 tons of commodities per month independent of supplies China had agreed to supply under other arrangements; also Soviet request for list commodities to be conveyed into China in order that computation of charges might be made. Counselor said that Chinese Ambassador had as yet received no reply from Foreign Office. He expressed opinion Chinese Government would find difficulty meeting stipulation regarding supplying of 1300 tons of new supplies.

Repeated to Chungking.

HARRIMAN

³⁶ See footnote 35, p. 612.

³⁷ Maxwell M. Hamilton, Counselor of Embassy in the Soviet Union.

OBJECTIONS TO PROPOSED SURVEY OF A SUPPLY ROUTE
TO CHINA VIA INDIA, AFGHANISTAN, AND THE SOVIET
UNION

893.24/1539b : Telegram

The Secretary of State to the Minister in Afghanistan (Engert)

WASHINGTON, December 9, 1942—9 p. m.

69. 1. The Office of Lend-Lease Administration desires to send Mr. Gordon Bowles, an American citizen, to China, via India, Afghanistan and Russia, to explore motorable routes. He would be accompanied by an American mechanic. They would travel in a truck and a small passenger vehicle. They hope to leave the United States for India in the near future, to proceed thence to Afghanistan, and to cross the Soviet-Afghan border in January at Termes or Kelif on the Amu Darya.

2. If necessary, please take such steps as may be appropriate to obtain permission for Bowles and mechanic to make the desired journey through Afghanistan.

3. For your information, Bowles plans for arrangements, through the Soviet Embassy at Kabul, for chauffeurs and assistants for travel through the Soviet Union.

4. The Embassy at Kuibyshev is being instructed to request necessary permission for travel through Soviet Union.

5. Prompt reply requested.

HULL

893.24/1539a : Telegram

The Secretary of State to the Chargé in the Soviet Union (Henderson)

WASHINGTON, December 9, 1942—9 p. m.

622. The Office of Lend-Lease Administration desires to send Mr. Gordon Bowles to India to explore the motorable routes from India through Afghanistan and Russian Turkestan to China with a view to developing a new supply route to China.

This new all-motor route to China would supplement rather than supplant the motor-rail route via Baluchistan, Iran and Russian Turkestan which is now under joint discussion by the Soviet, Chinese and British Governments.¹

It is proposed that Bowles would cross the Soviet-Afghan border in January at Termes or Kelif on the Amu Darya accompanied by an

¹ For correspondence on this subject, see pp. 590 ff.

American mechanic traveling in a truck and a small passenger vehicle, and leave Soviet territory via Alma Ata and Kulja or Osh, Naryn and Kashgar, probably in February.

His proposed itinerary within the Soviet Union involves travel by motor from Afghan border to Tashkent. Side trips from Tashkent by rail to Ashkabad and return and to Stalinabad and return. From Tashkent by motor to Frunze and Alma Ata and the Soviet border on the Julja road or via the Ferghana to Osh and the Sinkiang border south of Naryn.

The services of chauffeurs and assistants would be necessary in Soviet territory. The request for such personnel to be made available at the point of entry will be made through the Soviet Embassy at Kabul. Permission also required to purchase necessary fuel and supplies. In order to develop information on the carrying capacity of bridges and general road conditions, permission is desired to photograph under supervision the road and road facilities along the route to be traveled.

Please request permission for Bowles and mechanic to make the desired journey for the purpose indicated and request that the necessary facilities outlined above be granted him. In making this request you should point out to the Foreign Office that the purpose of developing an all-motor route to China is to relieve the Soviet railways and that this projected route is shorter by some five hundred miles than the other route to China under discussion at this time.

HULL

893.24/1468 : Telegram

*The Secretary of State to the Chargé in India (Merrell)*²

WASHINGTON, December 10, 1942—10 p. m.

701. Gordon Bowles departing immediately for India as representative of B. E. W.³ and O. L. L. A.⁴ to explore motorable routes through Afghanistan and Russian Turkestan with view to opening up new channel for supply of goods to China. Kuibyshev and Kabul have been instructed to request permission of Soviet and Afghan Governments for him and an American mechanic to make the proposed trip through their territories. Please render all appropriate assistance and request cooperation of British and Indian authorities. Repeated to London.

HULL

² Repeated as No. 6757, December 10, 11 p. m., to the Ambassador in the United Kingdom.

³ Board of Economic Warfare.

⁴ Office of Lend-Lease Administration.

893.24/1477 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

KUIBYSHEV, December 28, 1942—1 p. m.

[Received December 29—9: 55 a. m.]

1144. Department's 622, December 9, 9 p. m. The following represents the pertinent excerpts from a note, number 102, dated December 25, 1942, which has been received from the Foreign Office:

"The question of the possible passage of automobile routes through Soviet territory for supplying China, and in this connection the study of general road conditions and the capacity of bridges, is being referred to the appropriate Soviet organs which, in the event the question arises in the future will be in a position themselves to gather the required information.

Therefore the Soviet authorities do not see any necessity for a special study of road conditions in the regions of Soviet Central Asia by Mr. Gordon Bowles."

HENDERSON

893.24/1489 : Telegram

The Personal Representative of President Roosevelt in India (Phillips) to the Secretary of State

NEW DELHI, January 16, 1943—4 p. m.

[Received January 16—3: 25 p. m.]

32. The Foreign Secretary has confidentially given me the attitude of the British Government and the Government of India on the possible establishment of supply routes through Afghanistan (Department's 701, December 10, 10 p. m.)

In essence it is to the effect that when the British and Soviet Governments requested that the Axis non-diplomatic nationals be deported from Afghanistan the Afghan Government required and received assurances in writing from the British and Soviet Governments that its acquiescence would not be followed by a demand for supply routes through Afghanistan; that the Grand Assembly subsequently in confirming the deportation resolved that under no conditions would the use of air or land routes be granted; and that an attempt to establish such routes might undermine the present regime in Afghanistan and lead to serious disorders.

He states that the British Minister at Kabul has been instructed to explain this attitude to Engert. Since the latter will doubtless telegraph the details I shall not do so unless so instructed.

Sent to Department. Repeated to Kabul.

PHILLIPS

893.24/1497 : Telegram

The Minister in Afghanistan (Engert) to the Secretary of State

KABUL, January 20, 1943—10 a. m.

[Received January 23—9:49 a. m.]

13. Referring to Delhi's telegram ⁵ in reply to your 701, December 10. British Minister had conveyed to me substantially same information in connection with proposed journey of Gordon Bowles. Government of India seems to apprehend unfavorable repercussions on Afghan Government and possibly frontier tribes if it should become known that we were actively investigating possibility of opening routes via Afghanistan. I understand London instructed British Embassy, Washington, to bring these considerations to your attention. Since your January 11,⁶ I have heard from my British colleague ⁷ that Bowles is to travel via Afghanistan to Persia and back again to India and thence to China. Please confirm.

My dispatch 33, September 16, 1942,⁶ described circumstances attending expulsion of Axis nationals in 1941. Am sending copy to Delhi. See especially bottom of page 3, part of page 4 and page 10. Please note incidentally that Soviets never gave any assurances re supply routes and that Britain merely promised not to open such routes without cooperation of Afghans.

Should it become necessary to open trans-Afghan routes to Russia or China, I feel it would be up to British and Soviet representatives and me to make sure that Afghan cooperation will be forthcoming.

ENGERT

893.24/1493 : Telegram

*The Personal Representative of President Roosevelt in India
(Phillips) to the Secretary of State*

NEW DELHI, January 21, 1943—5 p. m.

[Received January 22—6:20 a. m.]

55. Government of India has learned from Washington that Bowles having been refused a visa for Soviet Russia may now wish to proceed to China over the Karakoram Pass and through Sinkiang. (Department's 701, December 10, 10 p. m.). The Foreign Office suggests that if it is his intention to proceed on that trip more or less immediately after his arrival in India there would be no advantage in his pro-

⁵ *Supra.*⁶ Not printed.⁷ Sir F. V. Wylie, the British Minister.

ceeding to India until April since the Karakoram route is not normally open much before May. It adds that this may be a point of importance in view of the congestion on air routes from United States to India.

PHILLIPS

893.24/1493 : Telegram

The Secretary of State to the Personal Representative of President Roosevelt in India (Phillips)

WASHINGTON, January 28, 1943—10 p. m.

58. Bowles departed for India before your no. 55 of January 21 was received. The difficulties likely to be encountered in Afghanistan were brought to his attention before his departure, however, and he stated that he would contact Engert before embarking upon any plans. The views of the British Government on this subject were brought to our attention by the British Embassy.

Bowles is now in India and will presumably call at your Mission. Please inform Kabul.

HULL

893.24/1497 : Telegram

The Secretary of State to the Minister in Afghanistan (Engert)

WASHINGTON, February 18, 1943—10 p. m.

22. Department's 69 of December 9, 1942, and your 13 of January 20, 1943. Since Soviet Embassy has not granted visas to Bowles and mechanic they will confine trip to India, including Baluchistan, and to Afghanistan, Iran, and China. Upon arrival at New Delhi they plan to proceed through Kabul to Afghan frontier posts opposite Soviet border; then return to New Delhi, whence they will complete rest of trip. Bowles' trip into Afghanistan has approval of Department only if prior permission is secured from Chiefs of Mission at New Delhi and Kabul.

Please render all appropriate assistance. Bowles departed from Washington January 12.

You are authorized to pay expenses of dispatching official cables for Bowles. Charges incurred should be included in your regular accounts accordance section V-45 Foreign Service Regulations, for reimbursement by BEW accordance authorization contained in their letter of November 24, 1942.

HULL

893.24/1531b : Telegram

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

WASHINGTON, February 18, 1943—10 p. m.

245. BEW and OLLA are sending Gordon Bowles and mechanic to India, Afghanistan, Baluchistan, Iran, and China to explore motorable routes through Russian Turkestan and Afghanistan with view to opening up new channel for supply of goods to China to supplement motor-rail route via Baluchistan, Iran and Russian Turkestan, which is now under joint discussion by Soviet, Chinese and British governments.

Since Soviet Embassy has not granted visas to Bowles and mechanic, they will explore routes only as far as Soviet border. They plan to proceed first to New Delhi; thence through Kabul to Afghan frontier posts opposite Soviet border. They then plan to return to New Delhi and proceed thence through Baluchistan and eastern Iran to Meshed and Soviet border and return. After return to New Delhi they plan to proceed through one of Northwest Indian frontier passes (Kilik, Mintaka, etc.) to Yarkand and Kashgar by caravan and thence to Chungking. Bowles departed from Washington January 12.

Please inform Chinese Foreign Office of Bowles' proposed trip to ascertain whether or not they have any objection, and, if they have no objection, request any steps deemed advisable to facilitate Bowles' travels in Chinese territory.

BEW is contemplating sending procurement mission to China. If mission has been dispatched by time Bowles reaches Chungking, he will be attached to it as assistant to the head of the mission. Otherwise he will return to the United States from Chungking.

You are authorized to pay expenses of despatching official cables for Bowles. Charges incurred should be included in your accounts accordance Section V-45 for reimbursement by BEW accordance authorization contained in their letter of November 24, 1942.

HULL

EFFORTS TO ESTABLISH A SUPPLY ROUTE TO CHINA
THROUGH TIBET; ATTITUDE OF THE UNITED STATES
TOWARD STATUS OF TIBET¹

893.24/1506a : Telegram

*The Secretary of State to the Personal Representative of President
Roosevelt in India (Phillips)*

WASHINGTON, January 22, 1943—11 p. m.

41. We would like to know whether overland shipment of non-military war supplies through Tibet for China has materialized. Will you please contact Chinese Commissioner Shen² regarding this matter as contemplated in discussions with Commissioner Shen last August by Franklin Ray?³ Should this be the case, please notify us quantities and types of such goods as have been shipped to date. Please give this information by months.

We would like to know whether such forwardings have included any Lend-Lease supplies.

HULL

893.24/1507 : Telegram

*The Personal Representative of President Roosevelt in India
(Phillips) to the Secretary of State*

NEW DELHI, January 26, 1943—4 p. m.
[Received 4:27 p. m.]

75. Chinese Commissioner, just returned from consultation at Chungking, says no supplies have yet been shipped to China through Tibet. Practicability of this route is now being reconsidered in Chungking and from Commissioner's remarks it is inferred decision of Chinese Government likely to be negative (reference Department's 41, January 22, 11 p. m.).

Commissioner believes that after allowing for essential Tibetan traffic the actual annual capacity of this route, so far as through ship-

¹ Continued from *Foreign Relations*, 1942, China, pp. 624-631.

² S. H. Shen, Chinese Commissioner in India.

³ J. Franklin Ray, Jr., Lend-Lease Administration representative.

ment to China is concerned, would be nearer 1,000 tons than the 3 to 4,000 originally estimated.

Political difficulties are also involved. Tibetans are uncooperative apparently distrusting intentions of both India and China and fearing undue expansion of their influence. India lays blame for this attitude on China, and vice versa. Tibetans apparently made difficulties over proposed stationing of British, Indian and Chinese officials along route to check shipments and for a time consideration was given to possibility of turning goods over to ordinary caravans for unsupervised transportation to Chinese border. A trial shipment of 50 tons was made ready in India but is being held up pending Chungking decision expected within a month.

Suggest if you have not already done so, you check with VICTOR⁴ for possible reports on this route from two representatives⁵ now at Lhasa.

PHILLIPS

893.24/1520: Telegram

*The Personal Representative of President Roosevelt in India
(Phillips) to the Secretary of State*

NEW DELHI, February 8, 1943—7 p. m.

[Received 9:55 p. m.]

113. Report on supply routes to China by Gordon Bowles is being air mailed.⁶ He quotes Foreign Office official here as saying Government of India has no objection to use of Tibetan routes but refuses to reopen discussions except on basis of joint arrangements with both Chinese and Tibetan Governments. Bowles understands from Chinese Commissioner that his Government, considering Tibet an integral part of China, will reject any proposal for tripartite negotiations including Tibetan Government. Commissioner believes China will not sacrifice principle involved for the small quantity of goods which might thus be received.

Inform Stettinius⁷ and Stone.⁸ Also refer Department's 41, January 22, 11 p. m.

PHILLIPS

⁴ Code name for Office of Strategic Services.

⁵ Capt. Ilya Tolstoy and Lt. Brooke Dolan.

⁶ Not printed; for correspondence on this subject, see pp. 614 ff.

⁷ Edward R. Stettinius, Jr., Lend-Lease Administrator.

⁸ William T. Stone, Assistant Director, Board of Economic Warfare.

893.00 Tibet/77

*The Tibetan Foreign Office to Captain Iliia Tolstoy and Lieutenant Brooke Dolan*⁹

[Translation]

On the 21st day of 12th month, the year of Water Horse (corresponding to January 1943), you two came to the Foreign Office and brought a letter. We sent it to the Regent through Kashag. When you arrived at Delhi the British Foreign Office, through Mr. Ludlow, said that two American gentlemen wanted to come to Tibet with the purpose of giving a letter and present to the Dalai Lama from Mr. Roosevelt. When the letters would be delivered you promised to return to India if the Tibetan Government does not want you to go to China. Now you said that you have received a telegram from the American Government saying that you must go to Kansu Country of Lanchow, and ask Tibetan Government to allow you to go straight to China.

This is the first time that friendly relations were established between Tibet and the U. S. A. and Mr. Franklin D. Roosevelt also has sent letter and presents to the Dalai Lama. For above reasons the Tibetan Government allows you to go through and will not set a precedent which other foreigners can claim. So according to your wishes, you and your servants can proceed via Nagchu to Jyekundo and up to Sining. There are many dangers from robbers and thieves, so we are sending one of our monk officials or lay officer and one sergeant of Tashi Fort and 5 soldiers by the order of the Tibetan Government.

13th Day of 1st month, Water Sheep Year. (Corresponding to February 1943.)

893.00 Tibet/77

The Tibetan Regent (Tak-dak Pundit) to President Roosevelt

[Translation]

DEAR MR. PRESIDENT: Your Envoys, Capt. I. Tolstoy and Lieut. Brooke Dolan, arrived here safely with your letter and presents to His Holiness the Dalai Lama of Tibet. I was also present when they had an interview with His Holiness and very pleased to learn that you, being most fortunate, are in perfect enjoyment of your health and carrying on the great work for the good of mankind.

Tibet, which has been free and independent from her earliest history, devotes her entire resources in the cause of religion, and being the great seat of Buddhism, we are striving to maintain and strengthen

⁹ This note and the letters from the Regent and the Dalai Lama, *infra*, were transmitted to the Department by the Office of Strategic Services in a letter dated April 6, 1944.

our national and religious status. I hope and pray for an immediate cessation of hostilities so that the world may enjoy peace and prosperity. It is hoped that you will take the greatest care of your health and that I may often have the pleasure of hearing from you personally.

As a token of my regard I am sending you herewith a scarf of honour and a hand sewn thanga (depicting the man blessed with long life and other lucky signs, framed in blue brocade silk, etc.).

Yours very sincerely,

TAK-DAK PUNDIR

Dated 11th Day of the 1st Tibetan Month, Water Sheep Year, corresponding to 15th February 1943.

893.00 Tibet/77

The Dalai Lama of Tibet to President Roosevelt

[Translation]

DEAR MR. PRESIDENT: We received with the greatest gratification your letter and the tokens of goodwill (your autographed photo and an exquisite gold watch showing phases of the moon and the days of the week) through your Envoys, Capt. I. Tolstoy and Lieut. Brooke Dolan, who arrived here safely for the purpose of visiting the Pontificate and the city of Lhasa.

We are happy to learn that you and the people of the United States of America take great interest in our country and it is of special significance that the people of the United States of America, in association with those of 27 other countries, are now engaged in a war for the preservation of freedom, which has been thrust upon them by nations bent on conquest who are intent upon destroying freedom of thought, of religion, and of action everywhere.

Tibet also values her freedom and independence enjoyed from time immemorial and being the great seat of the Buddhist religion I am endeavoring, in spite of my tender age, to uphold and propagate our religious precepts and thereby emulate the pious work of my predecessors. I earnestly hope and pray for a speedy termination of hostilities so that the nations of the world may enjoy a lasting and righteous peace, based on the principles of freedom and goodwill.

As a token of my regard I am sending herewith a scarf of honour, three Tibetan coins of the first precious metal (gold), my photo, and three hand sewn thangas (depicting the sextet blessed with long existence, the 4 dutiful brothers (friends), and the 8 lucky signs, all framed in blue brocade silk, etc.).

Yours sincerely,

DALAI LAMA

Dated 19th Day of the 1st Tibetan Month, Water Sheep Year, corresponding to 24th February 1943.

893.01/943

Memorandum of Telephone Conversation, by Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] March 20, 1943.

Colonel M. Preston Goodfellow of O.S.S. called me on the telephone and said that the two men from O.S.S. sent to Tibet have reported that the Cabinet of Tibet has through them requested a complete radio transmitting set for use for broadcasting within Tibet. Colonel Goodfellow went on to say that O.S.S. has such a set which could be made available for this purpose, and that Colonel Donovan and others in O.S.S. consider that the two men now in Tibet have done a good job of establishing friendly relations with the Tibetan authorities and that it would be helpful to our war effort in "the general area" if the set should be sent. Colonel Goodfellow asked whether I thought the Department of State would be interested in this question and upon my saying that in my opinion we would, he asked me to ascertain informally the views of the Department or the manner in which the Department would like to have the question raised with it by O.S.S. I undertook to do this and to inform him of the results of my inquiries as soon as possible.

893.01/944

Memorandum by the Assistant Chief of the Division of Far Eastern Affairs (Atcheson)

[WASHINGTON,] March 30, 1943.

Reference the suggestion made by the Office of Strategic Services to ship to Tibet a radio transmitter which the Cabinet Ministers of the Tibetan Government have requested through the two representatives of the Office of Strategic Services who are now in that country.

After careful consideration of this matter in so far as it may affect our relations with China, we are of the opinion that to supply a radio transmitting set to the Tibetans would be politically embarrassing and cause irritation and offense to the Chinese for the following reasons:

(1) In November 1941 the Chinese requested that we allocate under Lend-Lease and ship to them a radio transmitter. This request we have not complied with because of shipping and air transport limitations.

(2) The question of supplying China with the equipment she desires is a particularly delicate one at the present time. It is almost certain that to supply the Tibetans with a radio transmitter when we have

failed to meet a similar request made by the Chinese over a year ago would give offense to the Chinese.

(3) The Chinese Government claims suzerainty over Tibet. Therefore, in all probability, the Chinese Government would not welcome the introduction into Tibet of such a potent facility as a radio transmitter, particularly as the Chinese are not likely to have any actual control over the transmitter or the material broadcasted.

(4) The Chinese probably have no objection to and may even welcome the dispatch of American "visitors" to Tibet from time to time but it is hardly conceivable that they would look with favor upon our supplying the Tibetans with any equipment which might be used against them in any way.

We therefore recommend, from the point of view of our relations with China, that these considerations be brought to the attention of the Office of Strategic Services; that that agency be urged to drop the proposal to ship a radio transmitter to the Tibetans and that some other gift be substituted therefor.

G[EOERGE] A[TCHESON], JR.

893.01/945

Memorandum of Conversation, by Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] April 3, 1943.

I called Colonel Goodfellow and informed him of the view which had been expressed by officers of the Department. I then asked him whether O.S.S. would desire to receive the Department's views in some more formal manner stating that unless O.S.S. should decide to drop the matter of sending transmitting station to Tibet, I believed that the Department would wish to press its objections more strenuously.

Colonel Goodfellow was most agreeable and reasonable about the matter and seemed to perceive the cogency of the objections to the proposed action. He said that he would pass our views on to the interested officials in the O.S.S. and that he would let me know if there was any disposition to continue favorable consideration of the project.

Colonel Goodfellow made only one statement of significance that we have not already been familiar with. He said that it had been the thought in O.S.S. that the transmitter would be available in Tibet for American use. I did not comment on this point and he did not seem to think that it warranted any reconsideration on our part.

893.01/946

*The Director of the Office of Strategic Services (Donovan) to the
Adviser on Political Relations (Hornbeck)*

WASHINGTON, April 12, 1943.

MY DEAR DR. HORNBECK: We have received a cable from two of our representatives in Lhasa relaying a request by the National Assembly and the Tibetan Cabinet that we obtain priorities so that they may purchase three fully-equipped portable wireless stations to set up a trans-Tibet network. These stations will be 100 watts each and the equipment requested can be purchased for a total cost of \$4500.

An historical precedent is broken by this request which, if complied with, will open the Tibet region 1200 miles east and west for Allied influence and further modernization of territory which will be strategically valuable in the future.

Our authorities in New Delhi and the Government of India both agree in principle.

We have the equipment which they have requested on hand in this office and would like to provide it to the Tibetan Government as a gift from the United States. I believe that this would have a very wholesome effect upon our relations. We have furnished communications equipment to the Chinese in excess of \$50,000.

The two representatives of this office in Lhasa, through whom we received this request, have presented to the Delhi Lhama [*Dalai Lama*] a letter of greetings from the President of the United States, which was received with much ceremony.

If you approve of our proposal, we will proceed to ship the equipment to our representatives in Lhasa for presentation with the compliments of the United States to the Tibetan Cabinet.

Sincerely,

WILLIAM J. DONOVAN

893.24/1594

The British Embassy to the Department of State

AIDE-MÉMOIRE

On the 15th March, Mr. Eden¹⁰ had a conversation in Washington with Dr. T. V. Soong¹¹ during the course of which the latter raised the question of Tibet. Dr. Soong said that Mr. Eden would doubtless be aware of the fact that the Government of China had always regarded Tibet as a part of the Republic, and that during his visit to

¹⁰ Anthony Eden, British Secretary of State for Foreign Affairs.

¹¹ Chinese Minister for Foreign Affairs.

India Chiang Kai-shek¹² had not been wholly reassured by what he had learnt of the attitude of the Government of India on this question. The Generalissimo had said that when a suggestion had been made for opening up a route through Tibet to China, the British Government had appeared reluctant to agree. Mr. Eden replied that his impression was that the reluctance referred to was caused by the physical difficulties involved and not by any political ones. As, however, Mr. Eden was not sufficiently fully or recently briefed on this subject, the point was not discussed further.

On receipt of an account of the above conversation the Viceroy¹³ has telegraphed from New Delhi giving the facts on the Tibetan question and adding his comments on Dr. Soong's remarks regarding firstly, Tibet's position on the map of Asia, and secondly, the attitude of the Government of India to trans-Tibetan communications. Lord Linlithgow adds that he does not consider that Dr. Soong's remarks represent accurately the real position, which is briefly as follows.

I. Tibet acknowledged the suzerainty of the Manchu Empire: when, however, that Empire fell the Tibetans expelled the Chinese troops that were at that time in Lhasa and secured the return of the Dalai Lama from China [*India?*]. In 1913 a Tripartite Conference was held in Simla between representatives of Tibet and of the Chinese and British Governments in an endeavour to resolve the existing differences relating both to the constitutional position as between China and Tibet and to the boundaries separating Tibet from India and China. The resulting convention, which was initialled by the delegates of all three parties, recognised that Tibet was under the suzerainty of China but acknowledged the autonomy of Outer Tibet. The convention was ratified by Tibet and the Government of India; the Chinese Republic, however, declined to ratify and the Tibetan attitude has subsequently been that, in view of this Chinese refusal, Tibet is not bound to admit Chinese suzerainty and is an entirely independent state. In 1934 the Chinese Government sent Huang Mu Sung to Lhasa on a mission of condolence on the death of the thirteenth Dalai Lama; through Huang Tibet was offered a settlement of the boundary issue in return for Tibetan acceptance of subordination to China, with Chinese control of Tibet's foreign relations. This overture the Tibetan Government rejected. Shortly before the installation of the new Dalai Lama in 1940 the Chinese Minister of Foreign Affairs,¹⁴ explaining the intention to send a Chinese representative to the ceremonies, stated that: "The representative has been instructed by the Chinese Government to say that China would at all times be ready

¹² Generalissimo Chiang Kai-shek, President of the Chinese Executive Yuan (Premier), visited India in February 1942.

¹³ Marquess of Linlithgow.

¹⁴ Wang Chung-hui.

to help Tibet, if Tibet desired it, but that China promised not to interfere in the development of Tibet along Tibetan lines". The Minister of Foreign Affairs also said: "The Tibetan Government must not continue to think that China has any bad intentions towards Tibet". The British representative who attended the ceremonies was instructed to inform the Tibetan Government of these statements of the Chinese Minister of Foreign Affairs.

Ever since the abortive 1913 Convention the attitude of the Government of India has been that they wished to secure agreement between China and Tibet and were willing to advise the Tibetan Government to admit formal Chinese suzerainty, although such an admission would in no sense constitute Tibet a Province of China. The Government of India have always held that Tibet is a separate country in full enjoyment of local autonomy, entitled to exchange diplomatic representatives with other powers. The relationship between China and Tibet is not a matter which can be unilaterally decided by China, but one on which Tibet is entitled to negotiate, and on which she can, if necessary, count on the diplomatic support of the British Government along the lines shown above.

II. On the question of trans-Tibetan communications, Lord Linlithgow recalls that, for purely practical reasons of geography and meteorology, the Government of India was unable to encourage the Chinese suggestion of building a highway from Western Szechuan through Eastern Tibet to Assam—a project which, if not entirely impossible, would have taken years to complete. It should on the other hand be recalled that the initiative for the organisation for a pack route from Kalimpong via Central Tibet to China was taken by the Government of India. In spite of two rebuffs from Lhasa, the Government of India persisted and was finally successful. The Chinese Government on the other hand, although their representative in Lhasa was kept informed of these negotiations, made no effort to participate in them: when the time came to work out practical details the Chinese Government made certain stipulations in regard to supervision of this route by Chinese officials, stipulations which the Tibetan Government were unable to accept. The Chinese Government moreover opposed any form of tripartite agreement in which the British Government would participate. In spite of this attitude taken up by the Chinese Government, the Government of India did not cease to exhort the Chinese Commissioner in India to continue his efforts to despatch goods to China via Tibet through trade channels, and promised all assistance from the Indian end. Lack of further progress has been due to the unforthcoming attitude of the Chinese and to the Tibetan Government's suspicion of Chinese intentions.

WASHINGTON, April 19, 1943.

893.01/946

The Assistant Secretary of State (Berle) to the Director of the Office of Strategic Services (Donovan)

WASHINGTON, April 23, 1943.

MY DEAR GENERAL DONOVAN: The receipt is acknowledged of your secret letter of April 12, 1943, addressed to Mr. Hornbeck, stating that you have received from two of your representatives in Lhasa a cable relaying a request by the National Assembly and the Tibetan Cabinet that you obtain priorities so that they may purchase three fully equipped portable wireless stations to set up a trans-Tibet network; that these stations will be 100 watts each and the equipment requested can be purchased for a total cost of \$4,500; and that you would like to provide this equipment to the Tibetan Government as a gift from the United States.

Tibet is, as you know, regarded by the Chinese as a dependency of China, and the Government of the United States has never taken action in contravention or disregard of that Chinese view. The susceptibilities of the Chinese Government are of importance to this country and to the United Nations in connection with the war effort as a whole. It therefore is desirable, in any relations which we may have with the Tibetan authorities or in any action which we may take vis-à-vis them, to avoid gratuitously or inadvertently giving offense to the Chinese Government. In the light of those facts, it is believed that effort should be made to ascertain whether supplying of this equipment by this Government to the Tibetan Government as a contribution to the war effort would or would not be likely to offend Chinese susceptibilities. It therefore is suggested that this matter be referred through the War Department to General Stilwell. If, then, it is ascertained that the proposed action appears to be unobjectionable from the point of view referred to above, this Department would suggest that the project under reference be regarded thereafter as a military matter and that decision be made on that basis.

Sincerely yours,

ADOLF A. BERLE, JR.

893.24/1592: Telegram

The Chargé in India (Merrell) to the Secretary of State

NEW DELHI, May 14, 1943—4 p. m.

[Received 8:50 p. m.]

340. Government of India press note announces Tibet has agreed to transportation through its territory of non-military supplies for China.

Chinese representatives here were not aware that these arrangements had been concluded until press article appeared, and they believe Chungking was similarly uninformed. They have subsequently been told that Government of India pressed Tibet to act favorably on this long standing question on grounds that continued refusal would lead to serious deterioration in relations between Tibet and China. Tibet finally agreed but only on condition that (1) no military supplies of any sort be thus transported; and (2) no foreign supervision of shipments while in Tibet would be permitted. It accordingly does not appear likely that Lend-Lease goods will be shipped from India to China via Tibet. In opinion Chinese officers here, the route with annual capacity estimated at from 1 to 3000 tons will probably be used only for Chinese civilian supplies purchased in India.

Repeated to Chungking with request Bowles be informed.

MERRELL

893.24/1594

The Department of State to the British Embassy

AIDE-MÉMOIRE

The Department of State appreciates the courtesy of the British Embassy in acquainting this Government, in the Embassy's *aide-mémoire* of April 19, 1943, with the attitude of the Government of India in regard to the Tibetan question and with developments in the project of a pack animal supply route to China via Tibet.

The Government of the United States has made note of the steps taken and the attitude shown by the Government of India toward establishing a supply route to China through Tibet. This Government of course hopes that any existing difficulties may be resolved in a way acceptable to all concerned.

With regard to the position of Tibet in Asia, the British Government has been so good as to give an account of its historical attitude. For its part, the Government of the United States has borne in mind the fact that the Chinese Government has long claimed suzerainty over Tibet and that the Chinese constitution lists Tibet among areas constituting the territory of the Republic of China. This Government has at no time raised a question regarding either of these claims. The Government of the United States does not believe that a useful purpose would be served by opening at this time a detailed discussion of the status of Tibet.

WASHINGTON, May 15, 1943.

893.24/1593 : Telegram

The Chargé in India (Merrell) to the Secretary of State

NEW DELHI, May 15, 1943—7 p. m.

[Received May 16—12:46 a. m.]

344. I was informed by Weightman, Joint Secretary External Affairs, in strictest confidence this morning that the announcement regarding a route through Tibet reported in my 340, May 14 was made at this time in order that China might not attempt to justify any aggression against Tibet by saying that all possibility of transport from India across Tibet was denied China. British Government had endeavored last August to persuade Tibetan authorities to open such a route and latter had said they would do so only if a tripartite agreement between Tibet, China and India were reached. Chinese Government had declined to consider such an agreement on ground that Tibet is considered a part of China. As a result of the announcement, Weightman states, [that?] Generalissimo recently made of his intention of retaking all lost territory including Tibet and of a report heard through "a leak" to effect that [he?] ordered governors of Sikang, Yunnan and Chinghai to send troops to Tibetan border (only the last mentioned complying), British through their Mission at Lhasa successfully prevailed upon the Tibetans to agree to consent to the use of a route under the conditions mentioned in my telegram 340.

Weightman believes that Embassy in Chungking has been informed of information obtained through the leak and that British Ambassador in Washington ¹⁵ has discussed matter with Department.

I have just received a letter from Tolstoy dated Sog, Tibet, April 17 in which he says that he had heard night before that Tibetan and Chinese troops are advancing toward each other and that Chinese troops had received their orders from Central Government. He also had heard a rumor from a Tibetan officer that Chinese had asked Government to invade Tibet and had been refused. Weightman states that no such request was received.

Tolstoy has apparently informed British at Lhasa that he is reporting on situation in a telegram which is presumably one Mission is relaying to VICTOR under today's date. Weightman requests that substance of this telegram be retransmitted here in one of Mission's codes or conveyed to British Embassy in Washington.

Repeated to Chungking.

MERRELL

¹⁵ Viscount Halifax.

740.0011 Pacific War/3270a : Telegram

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

WASHINGTON, May 18, 1943—7 p. m.

633. British Embassy here has received information from British Embassy at Chungking to the effect that a force of 10,000 Chinese troops has been concentrated along the Tibetan borders. British Embassy stated this information is based on a report received from "an American officer"¹⁷ who recently returned to Chungking from Sining, Chinghai. It has also been learned from the British Embassy that this report has caused the British Government some concern and that in consequence the British Ambassador recently called on the Vice Minister for Foreign Affairs to discuss this matter; that the Vice Minister indicated he had no information substantiating this report but took occasion to reiterate the position of the Chinese Government vis-à-vis Tibet.

The Department would appreciate receiving any information the Embassy may have in regard to the foregoing, but desires that you not make inquiries in this connection except very discreetly in official American circles.

HULL

740.0011 Pacific War/3272 : Telegram

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

CHUNGKING, May 25, 1943—2 p. m.

[Received May 25—11 : 23 a. m.]

777. Department's 633, May 18, 7 p. m. American officer referred to is an Assistant Naval Attaché who visited Sining briefly in latter part of April in company with an Assistant Military Attaché. Information given former by Secretary of Chinghai Government was that 10,000 Chinghai troops had been moved toward Tibetan border (actual location is probably north border of Sikang as shown on Chinese maps) in obedience to Generalissimo's orders. Governor of Sikang is also understood to have been asked to permit passage of Central Government troops toward Tibet or in lieu of this to despatch his own troops. Governor Liu Wen-hui has reportedly refused to do either (see New Delhi's 344, May 15, 7 p. m.).

Chinese objectives in these moves seem to be: (1) to bring pressure on Tibet to permit opening two nd [to the?] Central Government [and?] control of transportation routes and transit of military supplies (Tibetans apparently remain intransigent on this question and

¹⁷ Lt. S. H. Hitch, Assistant Naval Attaché in China.

in 1942 attacked Ministry of Communications route survey party, killing chief); (2) to gain a foothold for the Central Government in the presently independent province of Sikang and Chinghai; (3) eventually to bring Tibet under effective Chinese control. Chinese pretext is that Tibetans instigated by Japanese agents and aided by Japanese arms and planes are planning offensive action against Chinese border provinces.

While there is some basis for belief in presence in Tibet of a few Japanese agents, reports of Japanese activity and Tibetan aggressiveness are believed exaggerated.

In their present nationalistic state of mind the Chinese may be expected to resent any active British interest in Tibetan affairs.

More detailed report follows by despatch.¹⁸

ATCHESON

893.00 Tibet/64

Memorandum of Conversation, by Mr. Joseph W. Ballantine of the Division of Far Eastern Affairs

[WASHINGTON,] May 31, 1943.

Sir George Sansom¹⁹ called at my request and I told him that we had received a telegram dated May 15 from our Mission in New Delhi (New Delhi's 344, May 15, 7 p. m.) in which telegram it was stated (1) that the American representative at Lhasa had informed the British that he was reporting on the situation in Tibet and (2) that Weightman, Joint Secretary of External Affairs at New Delhi, had requested that the substance of that report be conveyed to the British Embassy in Washington. I told Sir George that we had made inquiry of the War Department and had obtained a paraphrase of a telegram which embodied the report apparently referred to (a message from Ferris,²⁰ dated New Delhi, May 16, to the War Department). I let Sir George read the telegram. He said that he had had practically all of the information in the telegram except the statement contained in the last sentence to the effect that according to the British the reincorporation of Tibet was among the objectives laid down by General Chiang Kai-shek in a book recently published, presumably by the Chinese Government.

Sir George then told me that at a Pacific Council meeting in Washington on May 20 Mr. T. V. Soong had said in reply to Mr. Churchill²¹ that there was not and would not be a concentration of Chinese troops

¹⁸ Apparently not sent.

¹⁹ British Minister.

²⁰ Brig. Gen. Benjamin G. Ferris, Acting Chief of Staff to General Stilwell.

²¹ Winston Churchill, British Prime Minister.

against Tibet though the Chinese Government claimed that Tibet was a part of China; and that the Prime Minister had replied that no one contested Chinese suzerainty and that the essential thing now was to avoid making any new difficulties.

Sir George also let me have an extract from a telegram dated May 25 from the British Foreign Office. He said that the matter was of no importance but he thought that the Tibetan reply quoted therein was rather amusing. This extract was as follows:

“As regards assurance concerning alleged Japanese activities in Tibet, Tibetan reply states in part as follows. ‘Tibet being a country entirely devoted to religion we rigorously guard our frontiers from intrusion and emphatically deny having any dealings or understandings with other foreign powers.’”

J[OSEPH] W. B[ALLANTINE]

740.0011 Pacific War/3272 : Telegram

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

WASHINGTON, June 6, 1943—noon.

730. Chungking's 777, May 25, 2 p. m. On May 31 an officer of the British Embassy, in conversation with an officer of the Department, stated *inter alia* that during the course of a recent meeting of the Pacific Council held in Washington Dr. T. V. Soong had replied to an inquiry made by Prime Minister Churchill that, notwithstanding the Chinese Government's claim that Tibet was a part of China, Chinese troops were not and would not be massed on the Tibetan borders; and that the British Prime Minister had rejoined that Chinese suzerainty over Tibet was not contested by anyone but that it was essential at the present time to avoid any new complications or difficulties.

HULL

893.00 Tibet/70

*The British Embassy to the Department of State*²²

STATUS OF TIBET

(Policy of His Majesty's Government towards Tibetan relations with China).

Until the Chinese Revolution of 1911 Tibet acknowledged the suzerainty of the Manchu Empire and a measure of control from Peking which fluctuated from military occupation to a mere nominal link. Since 1911 Tibet has enjoyed *de facto* independence. His Majesty's

²² Handed to the Adviser on Political Relations (Hornbeck) on September 14 by Sir George Sansom of the British Embassy.

Government made repeated attempts after 1911 to bring the Chinese Republic and the Tibetan Government together on the basis that Tibet should be autonomous under the nominal suzerainty of China, but these attempts always broke down on the question of the boundary between China and Tibet, and eventually in 1921 His Majesty's Government presented the Chinese Government with a declaration to the effect that they did not feel justified in withholding any longer their recognition of the status of Tibet as an autonomous state under the suzerainty of China, and that they intended dealing on that basis with Tibet in the future.

2. The Chinese Government have since 1921 attempted to an increasing extent to import some substance into their suzerainty over Tibet, while the Tibetans repudiate any measure of Chinese control. There have been several recent indications that the Chinese Government intend to press their claim that Tibet is part of China, and the point is likely to come up whenever any question affecting Tibet is under discussion with the Chinese Government. Thus, last year they proposed, contrary to the wishes of the Tibetan Government, to post officials in Tibet to supervise the organisation of a supply route to China, and when Mr. Eden was in Washington in March, Dr. T. V. Soong said in connexion with this route that his Government had always regarded Tibet as part of the Republic of China.

3. In these circumstances His Majesty's Government have reconsidered their attitude towards this question, having regard in particular to the consideration that any unconditional recognition of Chinese suzerainty would weaken their position in defending Tibet's claim to autonomy. While they are bound by a promise to the Tibetan Government to support them in maintaining the practical autonomy of Tibet, which is of importance to the security of India and to the tranquility of India's north east frontier, on the other hand Great Britain's alliance with China makes it difficult to give effective material support to Tibet. It is therefore desirable so far as possible to prevent the dispute between China and Tibet regarding the latter's status coming to a head at present. Nevertheless, at some stage discussion with the Chinese Government regarding this matter is probably inevitable. It has therefore been decided that in any such discussions the following line should be taken in so far as the circumstances render it necessary:—

(a) It should be pointed out that Tibet has in practice regarded herself as autonomous and has maintained her autonomy for over 30 years.

(b) It can be stated categorically that neither His Majesty's Government nor the Government of India have any ambitions in Tibet other than the maintenance of friendly relations.

(c) It should be recalled that the attitude of His Majesty's Government has always been that they recognize Chinese suzerainty, but that this is on the understanding that Tibet is regarded as autonomous.

(d) It should be stated that this is still their position and any unconditional admission of Chinese suzerainty should be avoided. Any amicable arrangement which China felt disposed to make with Tibet whereby the latter recognised Chinese suzerainty in return for an agreed frontier and an undertaking to recognise Tibetan autonomy would be welcomed by His Majesty's Government and the Government of India. The two latter Governments would be glad to offer any help desired by both parties to this end.

4. The foregoing would make it clear that His Majesty's Government do not feel themselves committed to regard China as the suzerain unless she in turn agrees to Tibetan autonomy. For the present, it is better that the matter should be left at that. But at a later stage it may prove necessary to add that:—

(e) If the Chinese Government contemplate the withdrawal of Tibetan autonomy, His Majesty's Government and the Government of India must ask themselves whether in the changed circumstances of to-day it would be right for them to continue to recognise even a theoretical status of subservience for a people who desire to be free and have, in fact, maintained their freedom for more than thirty years.

5. His Majesty's representatives should be guided by the foregoing considerations in any questions regarding the status of Tibet which may arise.

FOREIGN OFFICE, [LONDON,] 22 July, 1943.

893.00/15110

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

No. 1482

CHUNGKING, August 17, 1943.

[Received September 3.]

SIR: I have the honor to refer to the Embassy's airgram A-20, July 31, noon,²³ in regard to Sino-Tibetan relations, and to transmit herewith a copy of despatch No. 7, July 10, 1943, from the Embassy officer at Lanchow,²⁴ which was summarized in this airgram.

Especial attention is invited to the last paragraph of the despatch in which Mr. Service describes the attitude of Captain Tolstoy and Lieutenant Dolan as being strongly pro-Tibetan and critical of China and of what appear to be Chinese intentions in regard to Tibet. During the course of a recent conversation in Chungking with officers of the Embassy Captain Tolstoy strongly intimated that he felt that

²³ Not printed.

²⁴ John S. Service; enclosure not printed.

the United States should support the Tibetans vis-à-vis the Chinese Government.

As of further interest in this connection it may be mentioned that during the course of a recent conversation Dr. Victor Hoo, Vice Minister of Foreign Affairs, stated confidentially that he had received reports to the effect that Captain Tolstoy has assured the Tibetans that the United States would support them in their desire to remain independent of China; that he was very surprised at these reports because the United States had always shown a "very correct attitude" in regard to Tibet; and that he would obtain more specific information in the matter and communicate it to us in due course.

Respectfully yours,

GEORGE ATCHESON, JR.

893.00 Tibet/68

*The British Embassy to the Department of State*²⁵

PARAPHRASE OF TELEGRAM FROM THE FOREIGN OFFICE TO THE BRITISH EMBASSY, WASHINGTON, (AUGUST 28, 1943)

The Government of India have received information from reliable sources in Tibet stating that the number of Chinese troops in the Jyekmago [*?Jyekundo*]²⁶ area is considerably greater than the garrisons of former years and that additional troops are being recruited and additional arms are arriving. The Tibetan Government are said to have found it necessary to increase their own forces and there is considerable nervous tension.

The Government of India are instructing their representatives at Lhasa to inform the Tibetan Foreign Office that they have taken note of this information, that they advise them to verify it and to ensure that their own troops do nothing to provoke a frontier incident.

893.00 Tibet/69

*The British Embassy to the Department of State*²⁷

TIBET

Since the Chinese Revolution of 1911, when Chinese forces were withdrawn from Tibet, Tibet has enjoyed *de facto* independence. She

²⁵ Handed to the Adviser on Political Relations (Hornbeck) on September 14 by Sir George Sansom of the British Embassy who stated that the British Foreign Office "wish to know whether we would think it possible to have our representative in Chungking express interest in this matter."

²⁶ Brackets appear in the original.

²⁷ Notation at top in ink, presumably by Sir George Sansom of the British Embassy who handed this paper to Dr. Hornbeck on September 14: "Copy of memorandum sent to Dr. Soong (in London) by Mr. Eden August 5, 1943, in personal letter."

has ever since regarded herself as in practice completely autonomous and has opposed Chinese attempts to reassert control.

Since 1911, repeated attempts have been made to bring about an accord between China and Tibet. It seemed likely that agreement could be found on the basis that Tibet should be autonomous under the nominal suzerainty of China, and this was the basis of the draft tripartite (Chinese-Tibetan-British) convention of 1914 which was initialled by the Chinese representative but was not ratified by the Chinese Government. The rock on which this convention and subsequent attempts to reach an understanding were wrecked was not the question of autonomy (which was expressly admitted by China) but was the question of the boundary between China and Tibet, since the Chinese Government claimed sovereignty over areas which the Tibetan Government claimed belonged exclusively to their autonomous jurisdiction.

The boundary question, however, remained insuperable and, since the delay in reaching agreement was hampering the development of more normal relations between India and Tibet, eventually in 1921 the Secretary of State for Foreign Affairs (Lord Curzon) informed the then Chinese Minister (Dr. Wellington Koo) that the British Government did not feel justified in withholding any longer their recognition of the status of Tibet as an autonomous State under the suzerainty of China, and intended dealing on this basis with Tibet in the future.

This is the principle which has since guided the attitude of the British Government towards Tibet. They have always been prepared to recognise Chinese suzerainty over Tibet but only on the understanding that Tibet is regarded as autonomous. Neither the British Government nor the Government of India have any territorial ambitions in Tibet but they are interested in the maintenance of friendly relations with, and the preservation of peaceful conditions in, an area which is coterminous with the North-East frontiers of India. They would welcome any amicable arrangements which the Chinese Government might be disposed to make with Tibet whereby the latter recognised Chinese suzerainty in return for an agreed frontier and an undertaking to recognise Tibetan autonomy and they would gladly offer any help desired by both parties to this end.

893.00 Tibet/66

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

No. 1598

CHUNGKING, September 20, 1943.

[Received October 14.]

SIR: I have the honor to enclose²⁸ a copy of despatch No. 117, August 11, 1943, from the Embassy officer at Chengtu²⁹ entitled "Four Facets of the Tibetan Problem". The four "facets", or points of view, mentioned by Mr. Smith are those of (1) the Central Government, which desires the extension of Chinese sovereignty over Tibet in fact as well as in name, (2) the Tibetans, who apparently want only to be left alone, (3) the British, who oppose direct Chinese control over Tibet, and (4) the Chinese border war lords who are busy "playing both ends against the middle" in an effort to bolster their own positions.

Summary. Information obtained from an advisor on Tibetan affairs to the Szechwan Provincial Government and former minor official in a border region of Tibet is to the effect that there are at least eight Japanese bonzes living in Tibet but that they are so closely watched that their activities are not dangerous to the cause of the United Nations; that, probably in April of this year, Chiang Kai-shek issued orders to the Chairmen of the three provinces bordering on Tibet to move their troops further into Tibetan controlled areas; but that due to lack of ability or desire on the part of the Chairmen the scheduled "drive" amounted only to a few minor border incidents. This informant, as well as President Y. P. Mei of Yenching University and another Yenching professor with special knowledge of Tibet,³⁰ expressed the opinion that any attempt to extend Chinese control over Tibet by force would be bitterly resented by the Tibetans (enclosure No. 2). In background "Notes on Tibet" (obtained from a British Indian official) written by a private scholar who is said to have access to official British sources of information (enclosure No. 3) the nationality and culture of the Tibetans as distinct from those of the Chinese are stressed; mention is made of the "British policy of supporting Tibetan independence or complete autonomy . . .³¹ based on the interest of India in peaceful and orderly conditions along the frontier"; and it is pointed out that as "the new China" (as contrasted with the "Manchu dynastic empire") "is based on a purely Chinese nationalism and as Tibet . . . has now for a generation been independent *de facto* of Chinese rule, there does not seem to be any good ground on which China can now assert an unqualified right of sovereignty . . ." A quotation from a translation of *China's Destiny* by Chiang Kai-shek (enclosure No. 4) indicates that the Generalissimo feels that China should make "plans" for "the restoration of our national sovereignty" over Tibet. *End of summary.*

²⁸ Enclosures not printed.²⁹ Horace H. Smith.³⁰ Professor Li An-che.³¹ Omissions indicated in the original.

There have been increasing indications in recent months that the Chinese Central Government desires, and as soon as it feels in a position to, will attempt to extend its control over Tibet by force of arms. It is almost a foregone conclusion that Tibet will resist such encroachment by all means at its command, including, presumably, appeals to Great Britain and to the United States.

For over a quarter of a century Great Britain has opposed the exercise by China of direct control over Tibet and there has been no indication that this policy will be modified in the near future.

Respectfully yours,

GEORGE ATCHESON, JR.

740.0011 Pacific War/3272 : Telegram

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

WASHINGTON, September 21, 1943—10 p. m.

1340. Reference Embassy's 777, May 25, 2 p. m., in regard to reported Chinese troop concentrations along the Tibetan border.

1. British Embassy has brought to the Department's attention a further report received from the Government of India to the effect that the strength of Chinese troops in the vicinity of Yushu, Chinghai, has been considerably increased; that additional arms and supplies are being shipped into that area; that the Tibetans are reported to have increased their own forces and that considerable tension exists. The Government of India has instructed its representatives at Lhasa to endeavor to verify the above information and to suggest to the Tibetan authorities that they take steps to prevent their own troops from provoking frontier incidents.

This further report regarding Chinese troop concentrations in the Chinghai-Tibet border area appears to be substantiated, at least in part, by the information contained in the Embassy's despatch no. 1482, August 17.

2. The Department suggests that the Embassy if it perceives no objection make inquiry of the Foreign Office in regard to these reported troop concentrations and discreetly indicate as on your own initiative a concern over the possibility that these troop movements, if they are actually being carried out, might result in armed clashes between Chinese and Tibetan troops and furthermore that such an unfortunate development could not fail adversely to affect the cooperative efforts being made to defeat the Japanese and restore peace and tranquility in the Far East.

HULL

740.0011 Pacific War/3272 : Telegram

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

WASHINGTON, September 27, 1943—4 p. m.

1374. Reference Department's 1340, September 21, 10 p. m. The British Embassy has informed us of a recent informal conversation with Dr. T. V. Soong and of a reassuring affirmation made by Soong of confidence on his part that Chinese troops are not being concentrated in the area under reference and that China will not initiate trouble there, together with statement by Soong that China regards Tibet as "a part of China".

With reference to the suggestion conveyed in numbered paragraph 2 of Department's telegram under reference, you would probably find it advantageous to keep in close touch with the British Embassy.

BERLE

740.0011 Pacific War/3465 : Telegram

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

CHUNGKING, September 28, 1943—10 a. m.

[Received 5:37 p. m.]

1817. Department's 1340, September 21. At a suitable opportunity during a dinner party on September 25 Counselor mentioned to Vice Foreign Minister Victor Hoo that we had heard reports emanating from India to the effect that there had been some additional troop concentrations on the Chinghai-Tibetan border. Dr. Hoo did not at first deny the reports but said that the Chinese troops "will certainly do nothing" and then said that there had been some Chinese troops near the Tibetan border, that he had not heard this latest report, and that the report was incorrect. He made a further statement that "in any case we will do nothing".

We have not received here any confirmation of the British reports.

GAUSS

740.0011 Pacific War/3272 : Telegram

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

WASHINGTON, September 29, 1943—10 p. m.

1398. Reference Department's 1374 of September 27, 1943, 4 p. m. and prior communications.

In a conversation with an officer of the Department on September 28 Dr. T. V. Soong introduced the subject of Tibet. He said that while

in London he had talked with the BFO³² on that subject and that a few days ago Sir George Sansom of the British Embassy here had come to him under instructions and had spoken of the BFO's uneasiness in the presence of rumors that the Chinese were assembling troops on the Tibetan border. Dr. Soong said that he had stated to Sir George that the Chinese regard Tibet as an integral part of China; regard relations with the Tibetans as an internal problem; and that, although he, Soong, is not fully informed regarding troop movements, he doubts the rumors regarding massing of troops, he is not aware of any reason why there should be trouble with the Tibetans, etc., he would suggest that the British not make representations at Chungking implying a special British interest in Tibetan problems as problems involving an area or a people independent of China. Dr. Soong went on to say that in their study of geography the Chinese have long been taught that Tibet is a part of China and they have no thought whatever that this is open to question; and he further said that the question of Tibet is obviously of greater practical importance to the Chinese and the Tibetans than to the people of any other country.

It was pointed out to Dr. Soong, without argumentation, that by virtue of its geographical position, Tibet naturally is a subject of particular interest not only to China but also to India. Dr. Soong readily admitted this but affirmed that politically and in law Chinese claims regarding Tibet stand on far firmer ground than do British claims.

If you have not already made an approach along the lines suggested in the final paragraph of the Department's 1340, September 21, 10 p. m. you are authorized to leave in abeyance for the present any action on that suggestion.

BERLE

740.0011 Pacific War/3505 : Telegram

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

CHUNGKING, October 4, 1943—3 p. m.

[Received October 27.]

A-67. Department's 1398, September 29, Embassy's 1817, September 28, and previous. We have been informed by a high Gov[ernment] official that he has not heard of recent additional troop concentrations on the Tibet-Chinghai border but that he understands that "some" airfields are being constructed there by the Chinese. He intimated that the fields are possibly for the purpose of "pressure" to be applied later on. The informant remarked incidentally that it was curious

³² British Foreign Office.

how much trouble was taken over outlying regions such as Tibet and Outer Mongolia which are of absolutely no economic value to China.

GAUSS

893.796/361

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

No. 1752

CHUNGKING, October 29, 1943.

[Received November 18.]

SIR: I have the honor to report that a director of the China National Aviation Corporation in a confidential conversation has informed me that the Calcutta office of the Corporation recently received a communication from the Government of India authorities complaining that C. N. A. C. planes have been flying over Tibet on the route between India (Assam) and China, and that such flying over Tibet should be discontinued.

I learn that in good weather the C. N. A. C. planes operating on the new route between Assam and Suifu do at times fly over part of Tibet, taking a route through a pass in the mountains with resulting greater safety for the pilots, planes, and cargo.

The director of the Corporation tells me that he referred the matter to the head office of the Corporation at Chungking, suggesting that for the time being no reply be given to the letter of the Government of India authorities and that if those authorities press the subject further they be informed by the Calcutta office that it is not competent to deal with it and any representations should be made to the Chinese Government.

The matter is reported for the confidential information of the Department as a further small indication of British interest in Tibet as opposed to China's claim to suzerainty over that special area.

Respectfully yours,

C. E. GAUSS

893.00 Tibet/67

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

No. 1810

CHUNGKING, November 13, 1943.

[Received December 3.]

SIR: I have the honor to refer to the Embassy's despatch no. 1598, September 20, 1943 in regard to Sino-Tibetan relations and to enclose a copy of despatch no. 170, October 28, 1943 from the Embassy officer at Chengtu³³ in regard to a proposed missionary sponsored edu-

³³ Not printed.

ational mission to Tibet.³⁴ The despatch contains a summary of its contents.

In spite of the alleged willingness of some Tibetans to welcome foreign educational missionary work in their country, the Embassy has received no information indicating that a relaxation may be expected of the well known Tibetan policy of exclusion (see, for example, Embassy's despatch no. 1482, August 17, 1943). The history of missionary effort in China does not provide any basis for assuming that the proposed educational mission under reference (or the contemplated Seventh Day Adventist medical mission mentioned in Mr. Smith's despatch) is likely to be conducted with sufficient tact to avoid arousing Tibetan opposition. The projects under reference may therefore very well develop, even if the good intentions of the initiators are taken for granted, into attempts at missionary penetration of Tibet which are likely to give rise to Tibetan opposition and result in friction and situations which cannot but be embarrassing to the American Government. It is also possible that the missionary interests concerned may find it necessary, as the price they must pay for indispensable Chinese support, to allow themselves to be used to some extent as agents of Chinese political penetration of Tibet.

The usual Chinese approach to the Tibetan problem is well illustrated by the incident reported in the enclosure to the Embassy's despatch no. 1793, November 9, 1943.³⁵ Chinese authorities in Kansu, wishing to discourage Tibetan assistance to rebels operating in areas adjacent to those inhabited by Tibetans, dropped leaflets in which the Tibetans were addressed as "barbarians" and threatened with bombing if they sheltered rebels.

It is the Embassy's opinion that under present conditions American interests would not benefit from the missionary projects under reference but on the contrary the projects might result in serious embarrassment to the Government. Therefore, if and when the Embassy is approached by the missionary interests concerned, we will expect to offer them no encouragement in regard to the projects.

Respectfully yours,

C. E. GAUSS

³⁴ E. H. Cressy of the National Christian Council of China was sponsor of the proposed mission.

³⁵ Not printed.

ARRANGEMENTS TO OBTAIN STRATEGIC MATERIALS FOR THE UNITED STATES FROM CHINA ¹

811.20 Defense (M)/11374: Telegram

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

CHUNGKING, January 7, 1943—10 a. m.

[Received 1:45 p. m.]

25. Embassy's 1564, December 29, noon.² Russian trade representative has approached Embassy with request that we accept for shipment by air from Kunming or nearby airports 1 to 2000 tons of tin, shipment to be made during the next few months. Dr. Wong, Chairman of the National Resources Commission, has made a like request. The tin represents delayed delivery against NRC's 1941-42 contract with Russians. Russian representative refers to his understanding that we are allocating our tin from China to Russia and suggests that we accord Chinese tin obligated directly to Russia priority over tin under contract to United States. He points out that result will be the same insofar as delivery of tin in India for Russia is concerned and explains that procedure recommended would facilitate mutual accounting and NRC's task in discharging its obligations. Embassy requests reply indicating whether Metals Reserve is prepared to give Russian tin priority position requested. It now appears that air transport space to India will be adequate to carry the tin and other strategic materials destined for United States.

GAUSS

811.20 Defense (M)/11226: Telegram

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

WASHINGTON, January 7, 1943—9 p. m.

35. Your 1564, December 29, noon.² Metals Reserve will accept from the National Resources Commission delivery of 1,000 tons tin f. o. b. planes, Kunming. This arrangement will be covered by proposed amendment to the existing contract, already agreed to in principle but not yet formally executed. Consent to accept 1,000 tons tin

¹ Continued from *Foreign Relations*, 1942, China, pp. 632-672.

² *Ibid.*, p. 672.

is conditioned on expected delivery by National Resources Commission not later than end of next April of 2,000 tons tungsten ore.

HULL

811.20 Defense (M)/11374: Telegram

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

WASHINGTON, January 16, 1943—1 p. m.

79. War Production Board has set following schedules and priorities for air transport strategic materials to India from China by army and commercial planes. All quantities are short tons per month.

A-1-a Priority

Silk (for U.K.)	40
Tungsten	500

A-1 Priority

Bristles (unbleached 2 $\frac{1}{4}$ inches or longer for U.S. and U.K.)	90
Mercury (for U.S.S.R.)	40

A-2 Priority

Tin (for U.S.S.R.)	300
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A-3 Priority

Tin (for Metals Reserve Company)	200
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Total priority cargo 1,170.

B-1 Filler Cargoes (only for available space not taken by priority cargo.)

Green tea

Tung oil (Only if can be shipped in drums otherwise returning empty from China.)

Your No. 25, January 7, 10 a. m. As Russian request to ship 750 tons tin has already been met, this Government can agree only to further shipments of not more than 300 tons per month Russian owned tin. If there is more space than can be taken by available quantities higher priority cargoes quota 200 tons tin Metals Reserve should be enlarged to utilize all space available.

Green tea is only to be sent by air when there are not enough quantities available silk, tungsten, bristles, mercury or tin to fill available space on army or commercial planes.

These priorities are also to apply to local transport and warehousing within China as well as to air transport from China. In brief, tea and tung oil are not to be permitted to interfere with inland transport

of materials mentioned in preceding paragraph. Please advise the Department as to further availability of plane space with special reference to other operations to India from China.

HULL

811.20 Defense (M)/11641d: Telegram

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

WASHINGTON, January 18, 1943—5 p. m.

83. In view of the possibility of an early substantial increase in air transport space between China and India, can you suggest further kinds of cargo in addition to those raw materials now being transported. Are there supplies of antimony, wood oil or other materials readily available for the purchase of which it might now be worth while to consider arrangements?

HULL

811.20 Defense (M)/11662b: Telegram

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

WASHINGTON, January 20, 1943—11 p. m.

108. Can you ascertain whether antimony is being acquired by Japanese from unoccupied China and if so in what amounts; also whether Soviet Russia is purchasing antimony from CNRC and transporting overland?

HULL

811.20 Defense (M)/11777: Telegram

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

CHUNGKING, January 30, 1943—9 a. m.

[Received 9:20 a. m.]

168. Department's inquiry regarding antimony (No. 108, January 19 [20], 11 p. m). Russians are not obtaining the mineral for transportation overland. Limited transport facilities preclude such an operation.

No information has reached Embassy indicating that the Japanese are acquiring the mineral from unoccupied China. Chairman [of] Resources Commission states that location of mines well within Free China facilitates control, that he has received no reports of smuggling, and that he is convinced that, if Japanese are obtaining antimony from Hunan, quantities are negligible.

GAUSS

811.20 Defense (M)/11780: Telegram

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

CHUNGKING, January 30, 1943—noon.

[Received January 30—11:10 a. m.]

171. Embassy has gone thoroughly into the matter of obtaining additional materials for air transport in China (Department's 83, January 18, 5 p. m.).

Wood oil is not available at points of air shipment and shortage of internal transport facilities precludes shipment in any quantity from concentration points (largely in Hunan and Szechuan) to airfields in vicinity of Kunming. Disinterested but fully informed Chinese advises against endeavoring to ship wood oil under present conditions stating that, in addition to internal transport difficulties, presently available facilities for preparing oil for export by air would prove unsatisfactory.

Antimony is available in ample quantities for export but here again internal transport is the problem for which there is no present practical solution. Transportation of antimony to Kunming would follow same general route as that used for wolfram. Bottleneck is trucking route from Chinchengkiang in Kwangsi to Kutsing in Yunnan. Chairman, Resources Commission, although desirous of furnishing antimony to us, states that, unfortunately until he can obtain more trucks, any antimony transported would displace wolfram. He has been advised that we do not wish to reduce the amount of wolfram now being transported.

The Embassy knows of no other usable materials readily available for transport by plane. The quantity of tin shipments might be increased to a maximum of a 1000 tons a month and if our present endeavors to obtain more trucks for wolfram are effectual we may be able to raise wolfram shipments closer 1000 tons a month. Hence we might, with the relatively limited quantities of bristles, silk and mercury which are available from time [to time?], be able to achieve something over 2000 tons a month. Until internal transport problem is solved (trucks are available but gasoline and equipment to keep them operating are very scarce) Embassy does not see how we can further materially increase quantity of materials for export by freight planes.

GAUSS

811.20 Defense (M)/11791: Telegram

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

CHUNGKING, February 1, 1943—2 p. m.

[Received February 1—1:35 p. m.]

179. Reference final paragraph Department's 79, January 15 [16], 1 p. m. Embassy has brought informally to the attention of the Minister of Communications⁴ and the chairman, Resources Commission (Minister of Economics)⁵ War Production Board's desire with regard to priorities in local transport and warehousing, and has received favorable reaction but no action yet. In strict confidence it is feared that highly placed interested Chinese may maneuver utilization of trucks for tea transport that might better be employed carrying tungsten. Transportation route for both is in general the same.

Embassy has been unable to obtain any satisfactory estimate of future available plane space for export of materials. Estimates vary from 2 to 5,000 tons monthly. It seems clear, however, that in near future priorities on air transport space will cease to be a practical problem and that internal transport to air fields will continue, as it is now, a very real problem (see Embassy's 171, January 13 [30], noon) the only apparent solution for this problem is airplane importation of motor gasoline and some equipment so that available trucks can operate to fullest practicable extent.

At present military supplies quite reasonably have priority of import space. Some alleviation of internal transport difficulties may come from efforts by new Communications Minister for better coordination of transport.

GAUSS

811.20 Defense (M)/12314: Telegram

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

CHUNGKING, March 3, 1943—10 a. m.

[Received 11:06 a. m.]

306. Reference Department's 79, January 15 [16], 1 p. m. Total priority cargo listed 1,170 tons per month including 300 tons of tin for Russia and 200 tons for Metals Reserve. United States Army Air Command has notified the National Resources Commission that the Yangkai air field, which was opened on February 14 with a daily loading capacity of 200 tons, would have a daily loading capacity

⁴ Tseng Yang-fu.⁵ Wong Wen-hao.

of 400 tons beginning March 1 while Kunming field would continue operations at previous levels.

The National Resources Commission has, at the Embassy's suggestion, now obtained an order from the Ministry of Communications granting its shipments of strategic materials priority in internal transport over all other goods except military supplies. Commission now hopes to obtain use of a few hundred private trucks now operating over Kwangsi, Kweichow and Yunnan highways but anticipate delays and difficulties. National Resources Commission does not expect to be able to do more than double its present rate of delivery of 1,000 tons per month, leaving a possible 11,000 tons per month unoccupied except in so far as filler cargo in the form of tea and wood oil can be provided at Kunming. The Russians are willing to accept ordinary grade Yunnan tin without further refining and large supplies of such tin are already available at Kunming. Tin of a grade acceptable by Metals Reserve is only available at Kunming in relatively small quantities. As a temporary measure it is recommended that the 300 tons per month limit on tin for Russia be removed and permission given to use Yunnan grade tin for Russia as filler cargo.

Internal transport problem reported in my 171, January 30, noon, still blocking delivery at Yangkai of 7,000 tons of wolfram, 3,000 tons of antimony and 6,000 tons of high grade tin now concentrated at Kweilin, Liuchow and Chinchengkiang in northern Kwangsi (all within easy reach of Liuchow air field if air transport from that point later becomes available).

As soon as estimates can be obtained of the probable extent of increased deliveries at Yangkai, the Department will be informed.

GAUSS

811.20 Defense (M)/12314 : Telegram

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

WASHINGTON, March 27, 1943—9 p. m.

410. Your No. 306 of March 3, 10 a. m. Department's No. 79 of January 16, 1 p. m. War Production Board is adjusting priority schedule to 1,500,000 pounds tin for U. S. S. R. at an A-2 priority instead of the 600,000 indicated in the Department's January 16th. There is furthermore no objection to shipments of Russian owned tin in excess of the new quota should additional quantities become available. The A-2 priority applies to Russian owned tin of all grades.

The present quota for Metals Reserve tin 400,000 pounds per month at an A-3 rating still stands; but this is not a restrictive quota if more plane space is available and more MRC tin is made available.

Please inform Kunming.

HULL

811.20 Defense (M)/13271 : Telegram

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

CHUNGKING, May 25, 1943—4 p. m.

[Received May 26—12:10 p. m.]

779. For McCamy⁶ and Rosenthal,⁷ BEW, from Fowler:⁸ China Transport Company, a subsidiary of Ministry of Communications, has informed me they can transport 2 to 3,000 tons wolfram monthly from Chinchengchiang to Kutsing if given return cargo on eastbound trip by Army, but request we pay them direct CN dollars 15,500 per ton, equal at fixed exchange to U. S. dollars 775, but if not given eastbound cargo cost would be 50% more and these charges subject to change each month dependent on their cost for fuel, labor and repairs. They say they will not transport for National Resources Commission because they are not paid, that NRC unpaid account to them is CN dollars 6 million.

Embassy cabled State Department May 8⁹ after consultation with Minister of Economics recommending increase transportation and production charges; assume you have copy.

I consider this a matter to be settled between Chinese Government departments and have so informed CTC. Also that paying additional U. S. dollars 775 per ton makes cost to us exorbitant and furthermore it is entering wedge for continual requests for increased charges and I believe Chinese request was made as result of increase granted on tea and bristles; further any amount paid in U. S. dollars is not helping their currency problem.

I have suggested to CTC that if it costs them CN dollars 15 million monthly for fuel from a semi Government agency to transport above tonnage they arrange for CN dollars to be paid direct to them by Ministry of Finance as subsidy if necessary. Minister of Economics stated that while Ministry of Finance had repeatedly refused to advance enough CN to meet requirements, they have advanced some extra currency.

Expect discuss with NRC officials along same line. Do you agree? Also would like comments on prices Chinese and other wolfram to guide me in conversation here.

Please [send?] copy to Currie.¹⁰ [Fowler.]

ATCHESON

⁶ James L. McCamy, assistant to the Executive Director, Board of Economic Warfare.

⁷ Morris Rosenthal, Assistant Director, Board of Economic Warfare.

⁸ Walter W. Fowler, Special Representative of BEW in China.

⁹ Telegram No. 670, May 8, 11 a. m., not printed.

¹⁰ Lauchlin Currie, Administrative Assistant to President Roosevelt.

811.20 Defense (M)/13088 : Telegram

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

WASHINGTON, May 27, 1943—10 p. m.

683. Your No. 670, May 8, 11 a. m. and 677, May 10, noon.¹¹ BEW much appreciates complete information presented which will make possible better coordination of the various procurement programs in China.

Board appreciates decision China National Tea Company to waive claim for 600 tons West bound cargo space per month per China Transport Corporation and wishes to accept this offer with many thanks. Board understands wish that no West bound space should be wasted and perceives no objection to shipment green tea to fill space otherwise empty. It may be, however, that a minimum quantity of green tea for North Africa will be given a definite priority along with tungsten after the quantities of tungsten urgently required have moved. This subject is now under consideration here and we will advise you of any decision that is reached.

With reference to tungsten, it may be stated that the average cost Chinese wolfram delivered comes to about \$27 per unit as against only \$24 per unit for South American wolfram delivered. Furthermore, your comparison with 1937 price wolfram is not valid inasmuch as price mentioned by you for 1937 was c. i. f. U. S. A. duty paid, whereas present price is f. o. b. Kunming.

Please consult Army authorities in China and advise whether they can make available the 2,000 tons Eastbound cargo required by CTC. Board is willing to consider increase in the total compensation for wolfram deliveries at Kunming, probably through a bonus for transport charges which would depend upon the quantity ore delivered each month. It is also assumed that the more Eastbound cargo made available by the Army the less the Board would have to pay for increased tungsten shipments. It is assumed we may continue to rely upon deliveries 600 tons monthly at the present price, no matter whether any considerable amount Eastbound cargo materializes. Board would greatly appreciate receiving your estimate of the additional quantities of ore that would be delivered at Kunming and the months in which these deliveries could be expected as follows: if a bonus of 20 cents per pound were paid; if a bonus of 35 cents per pound were paid; or if 50 cents a pound were paid. Board desires to maintain base price \$22.60 per unit which is f. o. b. price South American ports. After receipt of your reply, the Board will probably arrange to change base point for deliveries from Kunming to a place nearer the mines. Acceptance of actual deliveries at Kunming would,

¹¹ Neither printed.

of course, be continued and the base point would be arbitrarily used for calculation purposes only.

If you perceive no objection, Board suggests that you ask the Chinese Government to enforce priorities on inland transport of cargo purchased in accordance with our wishes. This should be irrespective of various negotiations made for different commodities at varying rates for transport. It seems to the Board that, before consideration is given to any bonus for tungsten transportation, an agreement should probably be had from the Chinese Government with respect to such priority policy.

HULL

811.20 Defense (M)/13473a : Telegram

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

WASHINGTON, June 14, 1943—3 p. m.

752. For Fowler from Rosenthal. Department's No. 683, May 27, 10 p. m. crossed your No. 779 of May 25, 4 p. m. but answered it in part. Board is of the opinion that the figures given you on competitive prices wolfram from other producing areas are what you need to support your views regarding advance in transportation charges which the Chinese request in order to increase wolfram deliveries. Board is pleased that there is reason to believe that it may be feasible to renegotiate all inland transport deals previously made on various commodities. We intend hereafter to give you entire responsibility for all inland transport negotiations.

Commodities which we wish moved on a priority basis are wolfram, tin for India and Russia, mercury for Russia, bristles, silk for Great Britain, and tung oil. Green tea is to be shipped as filler cargo only both for trucks and planes.

1. Wolfram—Our view is that an increase of mine production will be difficult but that we should make every effort within the next few months to move 7,000 tons referred to in the Embassy's No. 670 of May 8, 11 a. m.¹² Since question of increasing production wolfram is not of primary importance at this juncture, we intend to await advices from Morris¹³ in this regard.

2. Tin—As tin originates near airports, inland transport problem does not materially concern this material. However, we understand that considerable amounts black tea are going overland by truck to Russia and we wonder whether part of such truck capacity could not with advantage be devoted to direct shipments tin to Russia. Please comment.

¹² Not printed.

¹³ J. Marshall Morris, metals and minerals representative of the Office of Economic Warfare, en route to China.

3. Bristles—It is obvious that the high rate for transport bristles has made unfortunate precedent and it is hoped you can renegotiate to reduce this cost. However, it is of first importance to move bristles purchased to the airfields and we have already asked you if it is possible to fly bristles from the Luchow airports.

4. British Silk—We are not acquainted with financing this item, but believe you should consider it jointly with the other articles mentioned.

5. Tung oil—Rate of \$1340 per ton for inland transport wholly nullifies any chance of business at present; for it is not possible to consider tung oil at more than \$600 per ton delivered in India. Although important this commodity is not in the same class as materials listed above.

6. Antimony—It appears likely that India's future requirements can be found in that country. No air priority has yet been arranged. See Department's No. 670, May 26, 7 p. m.¹⁴

7. Mercury—No special question arises as the quantity is only 80,000 pounds per month.

8. Green Tea—Consensus of opinion is as follows: Although still desirable to ship substantial amounts to North Africa, importance of these shipments to the general program has decreased in view of recent developments in North Africa. Therefore we wish green tea treated as filler cargo only although we do not wish to prohibit its movement.

It seems to us desirable that the question of placing inland transport costs upon a reverse Lend-Lease basis, together with the question of the abnormal exchange situation, might be raised at an appropriate time with the Chinese Government. However, no such action should be taken without instructions from Washington. For your information the Department on May 15th handed to Dr. T. V. Soong¹⁵ a draft of a reverse Lend-Lease Agreement.¹⁶ We will explore the desirability of suggesting to the Chinese Government, if this agreement is entered into, the placing thereunder of inland transport costs of foregoing and other commodities that may be purchased from time to time. Should, however, the Chinese on their own part bring up with you the matter of reverse Lend-Lease, please report any suggestions made.

It is obvious from observations made in the foregoing paragraphs that, unless prices of the various materials originating in China and delivered at Indian ports can be considerably reduced, the Board will find it in its interests to promote production of these materials in other countries where prices are considerably lower. From our standpoint we are offering very high prices in U. S. dollars for all materials

¹⁴ Not printed.

¹⁵ Chinese Minister for Foreign Affairs.

¹⁶ *Ante*, p. 538.

procured from China and we also sustain heavy cost of air freight out of China. Financial arrangements between the various Chinese Government Departments do not of course concern us, but we believe that the Minister of Finance¹⁷ should be in a position to make such financial arrangements within China as to effect maximum flow materials required by war industry here. American supplies now arriving in China from the United States are delivered free of charge both as to sea and air transport, which fact is representative of our approach to such matters. Corresponding action on the part of China in the matter of inland transport charges would accordingly be quite justified. However, it would be preferable to reserve this argument for possible use in support of a reverse Lend-Lease arrangement as above described.

We feel that the Chinese Government will take broad view of this situation and that it should be possible for you at this time to increase flow of wolfram while at the same time you negotiate lower trucking rates on bristles and possibly on green tea. You might find it possible to obtain Army cooperation to increase flow of wolfram perhaps through charter by them of trucks and other facilities.

We consider that in connection with movement wolfram, time is an important factor. A very awkward situation would be created if wolfram supplies should fail to arrive promptly and if as a result of Japanese military activities shipments were subsequently interrupted.

As requested by you negotiations are now in course to obtain services of a truck maintenance man and a truck operator. [Rosenthal.]

HULL

103.917/2123 : Telegram

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

CHUNGKING, June 16, 1943—11 a. m.

[Received June 17—4:08 p. m.]

941. At the request of BEW representative Fowler instructions were sent to the Consulate General at Kunming on June 11 to turn over to BEW representative Polin¹⁸ all work being done on behalf of the BEW Defense Supplies, Metals Reserve or the United States Commercial Company.

Mr. Carey, the temporary employee engaged by the Embassy on behalf of Metals Reserve to supervise the sampling of wolfram ore and the weighing of tin, has been informed that he will hereafter receive his orders through Mr. Polin.

¹⁷ H. H. Kung.

¹⁸ Max S. Polin.

The Embassy has commended the Consulate General on the capable manner in which it performed its temporary functions with regard to the procurement and transshipment of strategic material.

ATCHESON

811.20 Defense (M)/14088a : Telegram

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

WASHINGTON, August 4, 1943—10 p. m.

1033. WPB¹⁹ wishes following information. Should we continue to give priority to Russian owned mercury and tin on American planes and if so what is best estimate as to amounts available monthly. Mercury now has A-1 priority and present schedule 80,000 pounds monthly: tin has A-2 with monthly schedule 1,500,000 pounds.

HULL

811.20 Defense (M)/14170 : Telegram

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

CHUNGKING, August 17, 1943—2 p. m.

[Received 11 p. m.]

1494. Reference your letter July 13.²⁰ I am convinced that we cannot expect official rate of exchange to be changed to cover purchase strategic materials or in land transportation charges inasmuch as on August 14, after an hour's frank and friendly conversation with Minister of Finance, during which he read above letter, he stated that if the official rate should be changed to 40 to 1 he was certain costs and prices would immediately double.

I am convinced that the only way to avoid payment for strategic materials at increasingly higher prices is to decide definitely that U. S. dollar costs cannot be increased to keep pace with the inflationary Chinese dollar, to inform the Chinese officially to this effect, in future to buy at an air field delivery price in U. S. dollars, and to urge that the Minister of Finance provide a subsidy to Chinese Government agencies handling commodities if required by them to cover increased costs because of Chinese dollar inflation. The above conviction is based on Washington's official attitude that these costs will not be covered under a reciprocal Lend-Lease agreement²¹ if and when made. In all my conversations with Chinese officials during the past three

¹⁹ War Production Board.

²⁰ Not found in Department files.

²¹ For correspondence on this subject, see pp. 515 ff.

months I have urged that the foregoing be done and will continue to do so but if objective is to be obtained pressure from your end must also be applied.

If the suggestion had been followed that we make a supplemental contract with NRC to pay a transportation bonus of from 35 cents to 70 cents per pound, as contained in Embassy's telegram No. 670 of May 8,²² and which would have been payable at 20 to 1, we would have been expected to increase that bonus just as we are now being asked to do for bristles so as to meet increased inflationary costs. That suggestion was opposed by us, but, as I have already reported to you, tungsten kept moving, probably under a subsidy.

In order to meet deficits caused by inflationary increases in costs and transportation charges, the Minister of Finance on August 14, so I am reliably informed, allotted a further sum of CN 120,000,000 as a subsidy for the Ministry of Economics and NRC.

So as to pay for upkeep of highways at inflationary wages, there is included in the truck freight rate of CN 35.70 per ton kilometer a highway tax of CN 12. The American Army is paying all these charges for its eastbound tonnage, which it states will increase monthly to from 2 to 3000 tons, at a rate of 20 to 1. Therefore we are in effect paying inflationary costs and China is not making any contribution toward supplying for the war effort these badly needed materials to the United Nations or war supplies to her own front lines.

Fooshing ^{22a} cannot lose if we pay them one United States dollar per each on 20 of their increasing inflationary cost of materials and transport charges; they have a certain sum to operate on and are not expected to lose money nor make money. In respect to transport charges this was agreed to, thus making it more difficult, under the terms of that agreement, to urge a subsidy for cargo covered therein. On August 16 we conferred with Fooshing and showed them a copy of your July 13 letter which they had not yet received. They promised to recheck cost and for this year's cargo to quote lower if possible. They also promised, in regard to transport costs, to confer with Government officials although they were not optimistic of accomplishing much if anything. They are powerless themselves to do anything although they agree reasonableness our viewpoint.

Inform Currie.

OEW's ²³ 35 for Rosenthal, Goldberg from Fowler.

ATCHESON

²² Not printed.

^{22a} Foo Shing Trading Corporation.

²³ Office of Economic Warfare, successor to Board of Economic Warfare.

811.20 Defense (M)/14225: Telegram

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

CHUNGKING, August 20, 1943—11 a. m.

[Received 4:39 p. m.]

1520. Embassy's 1194 [1494], August 17, (OEW's 35). Mr. Fowler has asked us to express an opinion in this matter.

We do not favor the bringing of pressure upon the Ministry of Finance to provide subsidies to Government agencies which handle the commodities and we concur in the view of OEW (Department's 752, June 14) that we should not be concerned with the Chinese Government's interdepartmental financial arrangements.

We also concur in the view of OEW, as we understand it, that endeavor should be made to arrange for purchase of strategic materials at fixed prices in United States dollars independent of Chinese exchange fluctuations for delivery at specified air fields. As presumably the Chinese Government does not profit from our loss in exchange under the present arrangement we believe that it is correct to say that no actual financial loss to the Chinese Government would be involved if it accepted payment in United States dollars credited to its account in the United States.

The entire problem seems to resolve itself into the question of how badly we need the materials or need to keep them from the enemy, and consequently the question of how much we are willing to pay for them. If as indicated in Department's 1092, August 12,²⁴ we are in position to set a limit upon what we consider desirable to pay in terms of U. S. dollars, and if we inform the Chinese that we will not pay more it is not unlikely that direct pressure upon the Chinese Government would not be required to cause the Chinese Government to make more or less suitable interdepartmental financial arrangements to ensure the procurement transportation, et cetera of the materials. The Chinese Government would probably feel that cessation of the purchases would involve so much loss of face on its part (that is, China might appear to the world as having failed to do its share in connection with one aspect of the war effort in which China is capable of doing its share) that the Chinese Government would feel it necessary to take steps to avoid such ill appearance.

ATCHESON

²⁴ Not printed.

811.20 Defense (M)/14301 : Telegram

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

WASHINGTON, August 23, 1943—midnight.

1178. For Fowler from Rosenthal, OEW. The following information in regard to tungsten is requested by OEW.

1. Amounts of tungsten being smuggled into Japan from China.
2. In crossing borders what method is used.
3. Regarding quantities going to Japan, would preemptive purchasing reduce this, or if we competed with enemy in offering higher prices, would enemy continue to obtain needed quantities as a result of increased production.
4. What prices are Japanese and NRC paying for metal.
5. Are consumers' goods or cash being used as payment.
6. Due to shipping points is there existence of any differentials.
7. Regarding Japanese stockpile position and current requirements, please cable any information Embassy may have.

The same information with respect to antimony is also requested. [Rosenthal.]

BERLE

811.20 Defense (M)/14316 : Telegram

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

CHUNGKING, August 28, 1943—3 p. m.

[Received 8 p. m.]

1585. To Rosenthal, OEW, from Fowler: Department's 1178, August 23. Smuggling situation being currently investigated by us. Morris now quietly conducting investigation. I will forward complete details on both antimony and tungsten as soon as he reports. Although Chinese insist smuggled tungsten does not exceed 2 to 300 tons a year, that much larger amounts are handled is indicated by other sources of information. [Fowler.]

ATCHESON

811.20 Defense (M)/14565d : Telegram

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

WASHINGTON, September 13, 1943—11 p. m.

1280. The Department has been informed by Lauchlin Currie, Executive Officer of the Office of Economic Warfare, of the possibility

that favorable consideration might be given by General Stilwell²⁵ to using Suifu as an airline terminal as well as Kunming. The present strong interest on the part of the United States in the supply of tung oil, feathers and hog bristles should be pointed out in this connection. It is feared that these commodities cannot be moved to Kunming in substantial volume by truck but information available here indicates that Suifu would be more accessible.

Please discuss the foregoing with Fowler. It is hoped that, if possible, General Stilwell may be consulted directly on this matter.

HULL

811.20 Defense (M)/14713: Telegram

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

CHUNGKING, September 25, 1943—3 p. m.

[Received 11:59 p. m.]

1805. Department's 1280 September 13, and Embassy's 1763 September 20 and 1795 September 24.²⁶ This matter has been discussed with Stilwell and Fowler. As indicated by Fowler's message in our 1763, Stilwell has assented to using Suifu as an airline terminal and has approved assignment of five planes daily on the Assam-Suifu service. It is understood that Stilwell's headquarters is discussing details with CNAC and expects that arrangements will be concluded soon. Service is expected to result in movement of 10 tons daily from Szechuan area or, assuming some unfavorable weather conditions, at least 200 tons monthly and it is to be stipulated that strategic materials including bristles and tung oil must have outgoing priority and that incoming cargoes are to be limited to war materials including bank notes. Feathers are not obtained in area tributary to Suifu. Proposed service will not require refueling of planes in China.

GAUSS

²⁵ Gen. Joseph W. Stilwell, Commanding General, United States Army Forces in China, Burma, and India.

²⁶ Nos. 1763 and 1795 not printed.

SUPPORT BY THE DEPARTMENT OF STATE OF CHINESE
REQUESTS FOR PLANES FOR INTERNAL TRANSPORT
IN CHINA ¹

893.24/1490 : Telegram

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

CHUNGKING, January 16, 1943—10 a. m.

[Received January 16—9:22 a. m.]

82. Bond of China National Aviation Corporation is urgently requesting consignment of five passenger transport planes for use in maintaining communications with northwest China and between China and India.

Corporation now has only three passenger planes with which it endeavors, with highly commendable efficiency, to maintain three flights a week between Chungking and Calcutta via Kunming, bi-weekly flights to Lanchow. Flights every week or so to Kweilin. Bond is convinced, and states that the Minister of Communications supports his claim, that additional planes are required to permit a minimum of essential official travel which the situation in China now demands. With additional planes requested he would increase the frequency of service to Kunming and Calcutta, would establish a weekly service to Lanchow and Tihua and would have more frequent flights to Chengtu and Kweilin and possibly other centers in Free China. He is also looking into the future when, as Japanese forces are pushed eastward from Central China, it will be necessary to establish air transport to newly recovered centers.

We believe that Bond's request is deserving of early and favorable action. There is no doubt that present passenger transport facilities are most inadequate to serve the essential needs in China; furthermore an extension of air transport service would go far towards fostering a greater degree of political unity in the country. A service to Tihua, for instance, would no doubt contribute materially towards the Generalissimo's ² plan to draw Sinkiang, and the Northwest as a whole, closer to the Central authority. If it is not practicable to supply the five planes which Bond is requesting we urge that favorable con-

¹ Continued from *Foreign Relations, 1942, China*, pp. 673-679.

² Chiang Kai-shek, President of the Chinese Executive Yuan (Premier).

sideration be given to supplying C.N.A.C. with an additional minimum three planes absolutely essential to meet present needs.

GAUSS

893.24/1490 : Telegram

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

WASHINGTON, January 23, 1943—7 p. m.

123. Your 82, January 16, 10 a. m. The Department has referred this matter to the War Department with the request that every effort be made to supply at least the minimum needs of C.N.A.C.

HULL

893.24/1540 : Telegram

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

CHUNGKING, February 26, 1943—9 a. m.

[Received 9:45 a. m.]

282. Reference my 82, January 16, 10 a. m. The C.N.A.C. has lost the use of one of its three passenger planes as a result of a forced landing in the Yangtze River recently. Service to Calcutta is reduced to two flights a week and internal service is proportionately curtailed. Another of the planes is temporarily out of commission awaiting replacement of worn out motors.

We re-emphasize the considerations put forward in our reference telegram and urge that prompt action be taken to supply planes to C.N.A.C.

GAUSS

893.796/320 : Telegram

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

[WASHINGTON,] February 27, 1943.

MR. BERLE: Reference Chungking's 282, February 26, 9 a. m. (copy attached^a).

Now is the time, I think, to throw our weight as heavily as possible behind the effort of the Chinese National Aviation Corporation and the Chinese Government to obtain additional transport planes for C.N.A.C.

According to the most recent U.S. official information that has come to my attention, the proposed allocation of five additional transport

^a *Supra.*

planes [it is my understanding that thirty had been applied for] ^{3a} was recently turned down.

In the course of a conversation with Dr. T. V. Soong ⁴ day before yesterday, I asked Soong regarding the accuracy of reports that C.N.A.C. was going to be absorbed by the U.S. Army into the U.S. armed forces in China. Soong replied very definitely that C.N.A.C. was not going to be thus absorbed; he mentioned and emphasized the fact that C.N.A.C. is a Chinese organization. [The Chinese Government owns 55 (or 51) percent of the stock and American interests (Pan American A.A.) owns 45 (or 49) percent.] ^{3a} I then inquired about the question of the five additional planes. Dr. Soong replied that he understood that four were going to be granted. He mentioned that more had been asked for.

C.N.A.C., operating under direction of American administrative personnel, has a superb record in China. You are familiar with parts of that record. Incidentally, C.N.A.C. pioneered in demonstration of the practicability of flying freight between Assam and China. There are indications that the U.S. Army has tried hard to absorb C.N.A.C. In my presence, yesterday, statement was made by a high officer of the U.S. Army Ferry Command that the Army had taken, in China, three of C.N.A.C.'s planes. It has been authoritatively reported that General Stilwell ^{4a} opposes giving C.N.A.C. more planes. It may or may not be that the Army, finding itself unable to absorb C.N.A.C. by processes of agreement, is seeking to starve C.N.A.C. out of existence.

However that may be, and whatever lies behind and under the apparent rejection hitherto of proposals for giving C.N.A.C. additional planes, C.N.A.C. should, in my opinion, be kept alive and be given additional planes, not only four planes but a good many more than four planes: this, for political reasons, for economic reasons and even for military reasons. Man for man and plane for plane, I would wager that C.N.A.C. will continuously equal or top the best work of the Army (which is rapidly improving) in carrying freight between Assam and China. Moreover, the Chinese should have some air service at their own command, independently of the U.S. Army and without the necessity of applying to the Army every time they want to send a pound of freight or a passenger. And, there being only one channel of communication between this country and China, the Army ought not have a complete monopoly of that channel: it is good for the Army and for all concerned for the Army to have some competition.

S[TANLEY] K. H[ORNBECK]

^{3a} Brackets appear in the original.

⁴ Chinese Minister for Foreign Affairs.

^{4a} Gen. Joseph W. Stilwell, Commanding General, United States Army Forces in China, Burma, and India.

893.24/1490 : Telegram

The Acting Secretary of State to the Chairman of the Munitions Assignments Board (Hopkins)

WASHINGTON, March 2, 1943.

MY DEAR MR. HOPKINS: Reference is made to the action taken by the Munitions Assignment Board on February 3, 1943 disapproving the request made by China Defense Supplies, Incorporated, to assign five C-47 airplanes to China for the use of the China National Aviation Corporation.

Since then a number of significant developments have taken place among which may be mentioned the following:

In the official communiqué issued at Casablanca⁵ relating to the conference there of the President and Mr. Churchill,⁶ it is stated that the President and Mr. Churchill had been in communication with Generalissimo Chiang Kai-shek and that they had apprized him of the measures which they were undertaking to assist him in China's magnificent and unrelaxing struggle for the common cause. Accounts in the press relating to the Casablanca conference emphasized *inter alia* that it had been decided to render all possible aid to China.

On February 9 and 10 General Henry H. Arnold,⁷ in company with General Sir John Dill,⁸ conferred with Generalissimo Chiang Kai-shek at Chungking concerning plans for offensive operations against Japan.

On February 12 in his address to the White House Correspondents' Association,⁹ President Roosevelt, in referring to the Pacific theater of war, stated that "Great and decisive actions against the Japanese will be taken to drive the invader from the soil of China. Important actions will be taken in the skies over China—and over Japan itself. The discussions at Casablanca have been continued in Chungking with the Generalissimo by General Arnold and have resulted in definite plans for offensive operations."

The presence of Madame Chiang Kai-shek in Washington has given additional significance and weight to the statements of the President.

Press accounts of the joint press conference held by the President and Madame Chiang Kai-shek on February 19 reported that the President stressed the difficulties involved in getting substantial aid to China and emphasized his intention to accelerate the sending of such aid.

⁵ Department of State *Bulletin*, January 30, 1943, p. 93. Records of the Casablanca Conference are scheduled for publication in a subsequent volume of *Foreign Relations*.

⁶ Winston Churchill, British Prime Minister.

⁷ Commanding General, United States Army Air Force.

⁸ Head of British Joint Staff Mission in the United States.

⁹ Excerpts printed in Department of State *Bulletin*, February 13, 1943, p. 145.

On February 26 the American Ambassador at Chungking telegraphed that the China National Aviation Corporation had, as the result of a forced landing recently in the Yangtze River, lost the use of one of its three passenger planes; that due to the necessity of awaiting replacement of worn-out motors, one of the China National Aviation Corporation planes cannot be operated for the time being; and that service within China has had to be curtailed and the service from China to Calcutta has had to be reduced to two flights a week. The Ambassador urges again the importance of prompt action being taken to furnish the China National Aviation Corporation with additional planes.

Copies in paraphrase of the telegram of February 26 and of a telegram of January 16 from the American Ambassador at Chungking are enclosed. The Department forwarded a copy in paraphrase of the telegram of January 16 to the Secretary of War under date January 23 and at the same time expressed its support of the recommendation made therein and requested that the matter be brought to the attention of the Munitions Assignment Committee.

This Department is in accord with the views expressed by the American Ambassador at Chungking.

The Department believes that the prompt supplying to the China National Aviation Corporation of additional planes would not only be in conformity with the situation as described by the American Ambassador to China but also with the broad political-military considerations mentioned in the first part of this letter. The Department therefore earnestly hopes that the Munitions Assignment Board may give this matter renewed and favorable consideration at an early date.

Sincerely yours,

ADOLF A. BERLE, JR.

893.24/1573

Memorandum by Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] March 17, 1943.

Mr. Woodard of IN ¹⁰ has informed me that he was present yesterday at a meeting of the Munitions Assignments Committee (Air) of which Colonel Langmead is chairman, when that Committee considered the renewed request of C.N.A.C. for five transport planes to be used on internal routes in China. General Mao,¹¹ Mr. Youngman and Mr. Mason represented China Defense Supplies at the meeting.

¹⁰ Granville O. Woodard, of the Division of International Communications.

¹¹ Gen. P. T. Mow, of the Chinese Purchasing Commission, was Deputy Director of the Chinese Commission on Aeronautical Affairs and Chief Representative in the United States of the Chinese Air Mission.

According to Mr. Woodard, the Committee felt that it must regard itself as bound by the terms of a basic directive in the form of a telegram (Mr. Woodard thinks dated about June 1942) from General Marshall¹² to General Stilwell in which it is stated that the Munitions Assignments Board will assign all Lend-Lease material destined to China subject to the disposition of General Stilwell. Because of the terms of this directive, which the Committee felt it has no authority to review, the Committee refused to recommend the immediate allocation to C.N.A.C. of five planes and it further refused to recommend that five of those planes which under a previous allocation are currently being forwarded to C.N.A.C. at the rate of two a month be especially earmarked for use in China. (It will be recalled that C.N.A.C. was required—according to the C.D.S.¹³ version of the matter—to enter into a contract with General Stilwell whereby all planes received by C.N.A.C. under regular Lend-Lease allocations must be utilized by C.N.A.C. solely on the Assam-China run under Army direction.)

Mr. Woodard said that according to statements made at the meeting a prior Lend-Lease allocation to C.N.A.C. provided for a total of 25 transport planes to be supplied to C.N.A.C. Of these 25 a total of 19 are now in operation on the Assam-China run. Under the terms of this allocation two additional planes a month are scheduled to be sent forward to India for C.N.A.C. The Committee referred to another standing policy directive which is to replace losses of previously allocated planes. Acting under this directive the Committee agreed to recommend that the present schedule of two additional planes a month for C.N.A.C. be continued throughout 1943 on the theory that it was to be presumed that losses would warrant such a decision.

Mr. Woodard assumed that it was the hope of the Committee that under the last mentioned decision it should be possible for the Chinese Government or for C.N.A.C. to arrange with General Stilwell for the release from the contract of five planes at some time in the course of the current year. Mr. Woodard is not informed as to whether this decision is regarded by C.D.S. as satisfactory.

893.796/316 : Telegram

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

CHUNGKING, March 17, 1943—noon.

[Received 5:54 p. m.]

383. Reorganization of the Eurasia Aviation Corporation into the Central Air Transport Corporation has been announced subject to

¹² Gen. George C. Marshall, Chief of Staff, United States Army.

¹³ China Defense Supplies, Incorporated.

the approval of the Executive Yuan. New corporation is capitalized at 20,000,000 Chinese dollars and will be under the Ministry of Communications. Following the break in relations between China and Germany in July 1941, German interests in Eurasia were frozen and operation since then has been entirely in Chinese hands. The corporation [is] operating but one old plane, but a press notice expresses the expectation that a number of new airplanes will be added so as to make possible an extension of service. The present plane operates in interior China on irregular schedule out of Chungking south to Kweilin and northwest to Sinkiang.

VINCENT

893.24/15603

Memorandum of Conversation, by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] March 25, 1943.

Sir George Sansom¹⁴ called on me this afternoon at his request and said that he had come to impart information. Sir George said that the Chinese had been asking the British Government to send them transport planes—for use in China's internal transportation. The Foreign Office had instructed the Embassy to the effect that Great Britain had no transport planes to spare with the exception of perhaps a half dozen "old planes"; that the British Government was party to a commitment whereby the China theater is an area to be supplied by the United States; that General Stilwell did not want to have these old planes sent in because he would have to supply them with gas and maintenance; and that the British Government is informing the Chinese Government that it is not in position to meet the Chinese Government's request. Further, the Foreign Office instructed the Embassy to inform us of the above.

I thanked Sir George for his imparting of this information and I asked whether I might inquire just why his Government was bringing this to this Department's attention. Sir George replied that he would assume, and he would assume that his Government would assume, that the matter would be of interest to this Department. I then asked whether the commitment to which Sir George had referred provided that the furnishing of supplies to China was to be exclusively a function of the United States. Sir George replied that he did not know but that he would infer that such was the case. I then asked whether this would mean that Russia also was excluded. Sir George replied that he did not know. I then asked whether there is any area which is exclusively to be supplied by

¹⁴ British Minister in the United States.

Great Britain. Sir George replied that he did not know but he would assume that there was. Sir George then added that, as he understood it, all allocations of war supplies were to be made by a Board which sits in Washington. I then asked whether the British Government would consider itself bound in the light of that fact to refrain from supplying any country with any transport planes independently of and without reference to procedures and decisions of that Board. Sir George smiled—as each of us had done at earlier points in the conversation—and replied that he did not know. I then said that I hoped that, in informing the Chinese Government that they were unable to comply with the Chinese Government's request for any transport planes, the British Government did not say to the Chinese that they were unable to comply with the request because they had promised the United States that they would not do such things without permission and the American Government or an agent or agents thereof would not give permission. Sir George again smiled. This marked the end of the official chapter of this conversation.

S[TANLEY] K. H[ORNBECK]

893.248/278

The Chairman of the Munitions Assignments Board (Hopkins) to the Acting Secretary of State

WASHINGTON, March 26, 1943.

MY DEAR MR. BERLE: Reference is made to your letter of March 2, 1943, in which you requested reconsideration by the Munitions Assignments Board of action of February 3, 1943 in disapproving the request made by China for the assignment of an additional five Douglas C-47 transport airplanes to the China National Aviation Corporation. As I understand it, these additional airplanes are desired for service between points within China, and are not intended for use on the Air Ferry Route from India to China.

The Chinese requirement for five additional C-47 airplanes has been reviewed, and I regret to inform you, that it has been found necessary to adhere to the original decision. There is an acute shortage of this type of aircraft in all theaters of operation and the available supply must be distributed equitably. Consideration of all the factors involved indicates that China has been relatively as well provided for as any other theater of operations.

The Munitions Assignments Board assigns two C-47 airplanes each month to China for the China National Aviation Corporation. These assignments will, by April 1943, achieve the original objective of 25 airplanes which was set up for that company. Assignment of two

C-47 airplanes per month from April through June, as now tentatively planned, will provide one airplane to replace anticipated crash losses, and five additional airplanes which should raise the total in the hands of the China National Aviation Corporation to about 30 airplanes by the end of July 1943.

Whether the China National Aviation Corporation can use these airplanes on air routes located entirely within China, is a matter which must be determined by other agencies. It is my understanding that General Stilwell some months ago reached an agreement with China National Aviation Corporation for the operation of all or a portion of its airplanes on the Ferry Route between India and China. The details of this contract and the restrictions which it may impose upon the freedom of action of the China National Aviation Corporation in utilizing airplanes on air routes lying entirely within China are unknown to the Munitions Assignments Board. I think we must assume that if General Stilwell's agreement results in undue restrictions upon the China National Aviation Corporation, the General will modify his contract if such action will best serve the common interest.

Action is now being taken to strengthen the Air Ferry route between China and India. From the Casablanca Conference, General Arnold proceeded to Kunming where on February 7, 1943, he made certain commitments to Generalissimo Chiang Kai-shek involving the provision of additional transport airplanes for the Chinese theater. These commitments were based upon a full appreciation of the need for air transportation in the Chinese theater, as compared with the needs in other theaters. General Arnold's commitments did not, as I understand it, visualize any transport airplanes for use exclusively within the border of China. It was General Arnold's impression that the Generalissimo accepted these commitments as satisfactory. Since returning from Kunming, General Arnold has taken further steps to increase the tonnage which can be hauled into China by air transportation. This is to be accomplished by the prompt dispatch to the Chinese theater of a number of our largest two-engined transports, the Curtiss C-46.

I regret that it has been necessary to again disapprove the request of the Chinese for additional transport airplanes.

Sincerely yours,

HARRY L. HOPKINS

893.24/1490: Telegram

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

WASHINGTON, March 30, 1943—midnight.

422. Reference Embassy's 82, January 16, 10 a. m., 282, February 26, 9 a. m. and Department's 123, January 23, 7 p. m., concern-

ing five passenger transport planes for China National Aviation Corporation.

1. Every effort has been made both with War Department and Munitions Assignments Board to arrange at least for minimum requirements of CNAC.

2. Munitions Assignments Board which recently met to give further consideration to this request feels that because all Lend-Lease material allocated by the Board to China is subject to the disposition of General Stilwell, it cannot recommend the allocation of planes specifically for the interior air service desired by CNAC. However, the Board has approved the recommendation of the Munitions Assignments Committee (air) that the present scheduled allotment of two planes a month to CNAC be continued throughout 1943.

3. Therefore in all probability CNAC will receive planes throughout 1943 at the rate of two per month but it appears under existing policy directives regarding Lend-Lease supplies that the Munitions Assignments Board feels it can only allocate planes to CNAC subject to the disposition of General Stilwell. Furthermore, it is reported here that under the terms of a contract between CNAC and General Stilwell all planes allocated by Lend-Lease must be utilized solely on the Assam-China run under Army direction. Is this correct?

4. Please inform Bond of the foregoing in as much as he may wish to discuss this matter with General Stilwell and the Chinese authorities with a view to arranging for the release of a few planes for use on interior runs.

5. Please keep the Department informed of developments.

HULL

893.24/1668

Memorandum by Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck), of a Conversation With Mr. J. Franklin Ray, Jr., of the Lend-Lease Administration

[WASHINGTON,] April 2, 1943.

Reference is made to Mr. Hornbeck's memorandum of March 25 concerning information imparted to him by Sir George Sansom with respect to a request by the Chinese to the British Government for transport planes.

Mr. Ray said that Mr. Hornbeck had recently raised the question as to whether there are arrangements by which the British Government has agreed that it will not supply military equipment to China without the consent of the United States Government.

Mr. Ray said that he had made inquiry among responsible officials of the Munitions Assignments Board and that he had been informed that there is an arrangement between the United States and Great Britain whereby all Chinese requests made to the British Government for military supplies are referred to the Munitions Assignments Board accompanied by a statement as to whether the British are in position to supply the requested materials and a recommendation by the British Government as to the disposition to be made of the request. Under this arrangement it is understood that final action on such requests is to be taken by the Munitions Assignments Board.

Mr. Ray went on to say that he had been informed that Mr. Eden ¹⁵ brought over with him the request which the Chinese had made for transport planes and that this request had been turned down by the Munitions Assignments Board with General Marshall's concurrence.

Mr. Ray said that he had been informed that there was no formal agreement concerning the above arrangement but that he had been assured that the arrangement is in effect and that under it the decision of the Munitions Assignments Board is final. In this connection he said that he was also informed that under the arrangement the Munitions Assignments Board may initiate procurement of supplies for China in England. In answer to his question as to whether any such cases had occurred he was told that his informant did not recall any.

Mr. Ray said that apparently the information which he had received was not regarded as confidential but he said that since he had no responsibility in this province but had merely obtained information which he believed to be accurate he preferred that the information not be attributed to him in any use which the Department might make of it.

Mr. Ray further said that he has been informed by China Defense Supplies that the next step which the Chinese plan to take with respect to their desire to obtain transport planes from the United States is to have Dr. T. V. Soong call upon General Marshall and ask General Marshall if he will inform General Stilwell that it is the right and privilege of the Chinese Government to use as that Government deems best, equipment which is allocated to them by the United States Government. Mr. Ray said that C. D. S. means to distinguish between equipment definitely assigned to Stilwell for operations under his direction and equipment which is asked for by the Chinese Government for other uses than the operations being conducted under General Stilwell.

¹⁵ Anthony Eden, British Secretary of State for Foreign Affairs.

893.24/1570 : Telegram

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

CHUNGKING, April 3, 1943—noon.

[Received 2:45 p. m.]

484. Reference Department's 422, March 30, midnight.

1. Substance of telegram has been communicated to Bond at Calcutta.

2. With regard to query in Department's paragraph 3, article 1 of the contract between CNAC and the American Army SOS¹⁶ reads substantially as follows:

(a) CNAC shall maintain and operate an air transport service between Kunming and Dinjan; (b) and Lend-Lease transport planes belonging to China and being operated by CNAC will be used "as well as all Lend-Lease transports which may in the future be allocated by the United States to the Government of China." The three transports paid for by CNAC are excluded from the agreement. It is interesting to note following statement in the preamble to the contract: ". . ."¹⁷ The Government of the United States of America has approved of the proposed action and officially communicated its approval to the Republic of China . . ." The contract was approved by the Minister of Communications on January 27 and by General Stilwell on February 17, the date on which it became legally effective, although the provisions of the contract have been in practical effect since last autumn.

3. Following is the substance of a telegram received here March 28 from Washington by Soong's representative and communicated to Bond:

Chinese Government accepts Lend-Lease planes in Florida whereupon they pass from American to Chinese control, being then handed over to CNAC to fly to China. The planes are then under the control of the Generalissimo and are not in Stilwell's jurisdiction. Two planes monthly beginning June and ending December have been allocated by Munitions Assignment[s] Board for use in interior of China. As already advised one of these planes is being sent in advance. War Department is not communicating with Stilwell inasmuch as use of these planes is for Chinese determination. Discussion of the matter with Stilwell or War Department not necessary. Does Army contract require that all Lend-Lease planes turned over by Chinese Government to CNAC at West Palm Beach be used on the Assam-China run? There should be no such provision although there may be one for the first 25 planes. Advise. Action in the matter by Bond should be under the Generalissimo and not under the American Army. Careful handling is required.

4. I am in full sympathy with the objective of obtaining additional passenger planes for operation by CNAC in China and to Calcutta

¹⁶ Services of Supply.¹⁷ Omissions indicated in the original.

but I do not believe that any scheme which endeavors to ignore Stilwell's wishes is on the long run, or even the short run, advisable. I should hope that Bond, who is in Calcutta, can arrange, as suggested by Department, with General Stilwell, who is in India, for the release of a few of the allocated Lend-Lease planes for use by CNAC in China on passenger service.

VINCENT

893.796/321 : Telegram

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

CHUNGKING, April 27, 1943—11 a. m.

[Received April 27—10:47 a. m.]

607. Bond tells me that he has been approached with proposal that CNAC make available a number of its pilots to "check out" (training given co-pilots until they are familiar with routes and flying and landing conditions) new pilots for RAF¹⁸ planes to be operated out of Chungking, Kweilin and Lanchow. He understands that transport planes will be used and surmises that British plan to make up for deficiency of CNAC planes on interior Chinese routes. He has been told however that reason behind contemplated RAF operation is probably political.

Bond is leaving in few days for Washington. With reference to Department's 422, March 30, midnight, he says that CNAC has prospect of receiving a few additional planes for its passenger service.

VINCENT

893.796/321 : Telegram

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

WASHINGTON, May 13, 1943—4 p. m.

613. Reference Embassy's telegram no. 607, April 27, 11 a. m., in regard to British proposal to operate a number of RAF transport planes out of Chungking, Kweilin and Lanchow.

1. The Department believes above proposal is the same one made by the British in Washington in February of this year, which, according to the British, was based on a request made by the Chinese Embassy at London to supply a number of transport planes for service in China.

2. It has now been ascertained that the British Air Ministry and the London Munitions Assignments Board dropped this proposal early in March and that no further action on the Chinese request is contemplated by the British.

HULL

¹⁸ Royal Air Force.

893.796/7-743

Memorandum by Mr. J. Franklin Ray, Jr., of the Lend-Lease Administration to Mr. Alger Hiss, Assistant to the Adviser on Political Relations (Hornbeck)

WASHINGTON, July 7, 1943.

You may recall the request made by the Chinese Government in February 1943 for five Lend-Lease transport planes to be used for maintaining official communications within China and to supplement the existing CNAC service from Chungking to Calcutta. This request was strongly endorsed by the Ambassador and by the Department in a memorandum submitted to the Munitions Assignments Committee for Air, to which the request was referred.

At the time this request was made, there were being delivered to China two transport planes per month, but all these planes were being assigned to freight operations between Assam, India and the Kunming area, under the terms of a contract between CNAC and the United States Army. It was apparently because of this limitation on the use of the planes then being delivered to China, that the new and separate request for five additional planes was submitted by the Chinese Government.

The MAC (Air) rejected this request, but recommended the extension of a previous assignment of Lend-Lease transport planes for China, which was due to be completed in May 1943, for the balance of the year, at the rate of two planes per month. The Munitions Assignments Board approved this recommendation, and the planes in question have been regularly assigned at the indicated rate to date.

When this last assignment was made, it was not clear whether the planes in question could be applied to fill the need for which the specific Chinese request mentioned above had been submitted. You may recall that, to try to clear up this question, I called on General Burns¹⁹ and on an Air Force officer of the Munitions Assignments Board staff. We were informed that the Munitions Assignments Board considered the disposition within a theatre of aircraft assigned to that theatre to be beyond the functions of the Board. This problem was felt to be entirely within the province of the Commanding General of the theatre in consultation with the appropriate Allied Government.

This statement left considerable uncertainty in our minds, but it was felt at the time by China Defense Supplies that the problem was one which could only be worked out within the theatre. I believe there was an informal suggestion that, in view of the Department's original

¹⁹ Maj. Gen. J. H. Burns, Executive Officer of Munitions Assignments Board, United States and Great Britain.

endorsement of the Chinese request for the desired five planes, the American Embassy at Chungking might be willing to participate in negotiations on the problem between Chinese authorities and the Commanding General's Headquarters.

In view of the background, you may be interested in the further developments set forth in the attached copy of a memorandum²⁰ prepared by William S. Youngman, Jr., President of China Defense Supplies, Inc., for Col. T. S. Timberman, Chief, Asiatic Theatre, Operations Division, War Department General Staff.

In discussing the problem with me Col. Timberman spoke rather strongly of the War Department's objections to the expansion of non-military air transport service within China as constituting a severe drain (for fuel and repair parts) on the limited air space available for transport into China. He also questioned the legitimacy of the use to which it was felt these planes would be put. He said there had been criticism from Chinese sources of General Stilwell for keeping at his Headquarters a plane for emergency staff use, while he opposed even the replacement of CNAC losses. I gathered that feelings were running rather high between the Theatre Command and the Chinese authorities concerned in this problem. Dr. T. V. Soong is currently away from Washington and Col. Timberman's orders were apparently to deal only directly with him, so the matter will not be pressed further until Dr. Soong's return.

Youngman's memorandum, attached hereto is rather weak at several points, though the solution he suggests, I feel, is a common sense one. Needless to say, the action taken by China Defense Supplies, purportedly on the authority of the Generalissimo, in assigning the plane No. 42-32787 to replace the lost CNAC plane was considered by Stilwell's Headquarters and by the War Department as a clear violation of the earlier contract between the U.S. Army and CNAC as to the use of Lend-Lease planes delivered to China. Youngman's claim that this earlier contractual arrangement, dating from about October 1, 1942, left Chinese authorities in the United States under the impression that the Generalissimo had the right to decide into what war service the Lend-Lease planes being delivered to China should go, is highly questionable, from my personal familiarity with the negotiations leading to the contract in question. I had several discussions on the subject with Mr. Bond of CNAC, and with Lt. Col. McHugh of the Embassy, both of whom felt that the contract being negotiated by General Clayton Bissell was so severe as to promise future trouble.

On the other hand, the plea that this contract, or the later one apparently signed February 17, 1943, was an *ultra vires* act on the part of CNAC is, in my humble opinion, disingenuous. I strongly believe

²⁰ Not printed.

that the Chinese authorities in Chungking knew what they were doing and are now simply trying to back out of a bad bargain they should never have made.

Incidentally, I have been informally advised by both the War Department and China Defense Supplies that General Arnold recently ordered out to China five other transport planes to be turned over to the Chinese Air Force. I do not have written confirmation of this as yet, but I am assured that the planes have been dispatched from this country. This extra assignment is entirely separate from the CNAC operations under the contract with the U.S. Army and from CNAC's regular services into and within China. But these five planes obviously constitute another drain on the aviation gasoline and maintenance parts which must be flown in over the hump, and lend some point to the War Department's objections to the expansion of the CNAC fleet.

I should be glad to discuss this problem with you further when you have had an opportunity to think it over. My own first thought on the matter is that little can be done from this end and that a real meeting of the minds out in Chungking is highly desirable to eliminate this source of friction between the Chinese and our military authorities.

893.796/327 : Telegram

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

CHUNGKING, August 9, 1943—1 p. m.

[Received 5:48 p. m.]

1410. 1. We are informed on good authority that developments in connection with CNAC's endeavors to obtain 5 transport planes for interior communication have recently occurred as follows:

(a) On June 18 General Mow telegraphed from Washington to Aviation Commission here that 5 specified planes for interior communication had been allocated by U.S. Army and that these planes were to be "first assigned to this commission"; Aviation Commission July 7 notified CNAC in regard to this telegram.

(b) American Army authorities in India notified CNAC July 15 that telegram had been received from the Commanding General Air Transport Command, Washington on July 12 enumerating 5 planes for CNAC delivered in India bearing the same serial numbers as those listed in Mow's telegram to Aviation Commission.

(c) CNAC [cable to?] Soong July 27 quoted above July 15 message, stated delivery of the planes had been taken by Aviation Commission and requested Dr. Soong "to advise". Operations manager also telegraphed this info to Commanding General ATC and suggested latter issue orders that the planes be turned over to CNAC. No reply to these messages has been received.

(d) CNAC received official notice August 2 that the 5 planes were, by order of the Gmo,²² to be operated by Aviation Commission.

2. CNAC now has only these [*three?*] planes for maintenance ordinary communication week [*with?*] India and interior communication in unoccupied China. According to informant, CNAC expected that the 5 planes allotted for such communications would [be] turned over to CNAC to operate, and CNAC's endeavors to obtain these planes, together with its contribution to the war effort and its reputation, probably had much to do with the making of the allocation.

3. Persons conversant with the situation state that Aviation Commission now operates 2 planes on interior routes but does not have enough qualified pilots for 5 more, and that despite gas shortage Commission is feverishly training pilots for these planes. It is doubtful whether it can operate them to capacity or to produce the benefit to the war effort which could be derived from operation by CNAC, not to mention greater risk of loss by accident.

Also, there is reported possibility of turning over some of new planes to Central Aircraft Transport Co., formerly Eurasia, which now operates only one old German plane. Latter have long cultivated influential friends by methods assertedly not used by CNAC and also have some strength because wholly Chinese while CNAC is Sino-foreign. (Former German connection is allegedly entirely ended.)

Apart from fact that CNAC could employ these planes much more effectively than CATC in the war effort, there would seem also to have arisen the question of the undesirability of having Lend-Lease planes used by Chinese interests to compete with established American interests.

4. Please inform Bond.

ATCHESON

898.796/327 : Telegram

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

WASHINGTON, August 18, 1943—9 p. m.

1137. Your 1410, August 9, 1 p. m. We acquainted Bond with development mentioned leading to the recent delivery to the Aviation Commission of five transports, but we did not indicate that we or the Embassy thought that there was anything amiss in this disposition made of the transports. Bond was already aware in general of these developments, and also did not appear to think that the delivery to the Commission violated in any way CNAC's rights. So

²² Generalissimo Chiang Kai-shek.

far as the Department and Bond have been able to learn, the transports are to be used solely for military and official communications in the interior. Bond believes that China has sufficient pilots to operate the five planes. A detailed report²³ of our conversation with Bond follows by airmail.

HULL

893.24/1490

Memorandum by Mr. William R. Langdon of the Division of Far Eastern Affairs

[WASHINGTON, August 20, 1943.]

POSITION OF CHINA NATIONAL AVIATION CORPORATION IN CHINESE
INTERNAL AIR TRANSPORT

Of all the efforts to develop aviation in China, American enterprise has been the most successful. The pioneer and sole representative of this enterprise has been the Pan American Airways System, since 1930 operating in China as the China National Aviation Corporation, an organization in which the Chinese Ministry of Communications owns 55% of the stock and Panair 45%. By its policies, its superb management and operations, its tact and its devoted service in the face of danger, war and loss of air routes, CNAC has made an outstanding contribution to the Chinese war effort and to Sino-American relations. Moreover, the direct service which CNAC had rendered to the United States military operations and to United States commercial interests in China has been of extraordinary value.

As a result of the mobilization for war purposes of the American aviation industry, CNAC has been unable in the past few years to keep up its fleet and at present has only two DC-3 and one Lend-Lease C-47 transports with which to operate its services from Kunming to Calcutta and within unoccupied China. CNAC, in addition, has some 30 Lend-Lease transports assigned to it by the United States Army, but under the terms of its contract with the Army these transports may only be used for freight operations between Assam, India, and the Kunming area ("over the hump"), so that this service does not facilitate CNAC's transport operations within unoccupied China.

Commercial aviation in unoccupied China is represented at present by CNAC and the Central Aviation Transport Company (the successor of the German Eurasia Company), owned 100% by the

²³ Not printed.

Chinese Government.* CATC's fleet consists of one 10-year-old Junker 52, and this machine plus the three aforesaid CNAC planes now make up China's entire commercial air fleet for internal communications and for communications with the outside (India).

The CNAC-Army contract, mentioned above, signed on February 17, 1943, provided that all Lend-Lease air transports belonging to the Chinese Government and then allocated to or being operated by the carrier (CNAC) as well as "all Lend-Lease transports which may in the future be allocated by the United States to the Government of China" would be operated by the carrier for "over the hump" transport. Because of this limitation on the use of Lend-Lease planes for China, the Chinese Government in February 1943 made a separate request that five transports be allocated to it for maintaining official communications within China and to supplement the existing CNAC service from Chungking to Calcutta. In pursuance of this request five planes were recently delivered to the Aeronautical Commission of the Chinese Government, but, as these machines, according to present information, will be used by the Aeronautical Commission or by CATC, this allocation will not contribute in any way toward promoting or even maintaining an American interest in internal transport in China.

CNAC has sought to have released to it for use within China a minimum of five transports from among those Lend-Lease transports assigned to it for "over the hump" service. On January 23, 1943, the Department, in a letter to the War Department, expressed its support of the recommendation of the American Ambassador at Chungking that five such transports be released to CNAC. The Department has received information to the effect that, because of the anticipated demand for fuel and repair parts on the limited air space available for transport into China which this would entail, the United States Army authorities in the theaters involved have been consistently opposed to any expansion of civilian air services within China.

From the immediate and strictly strategic point of view, the position taken by the Army authorities in India and China with respect to the expansion at present of commercial air facilities within China has undeniable force. However, there are important reasons for taking a long-range view of the situation and finding a means of improving the interior air communications of China through, as far as

* Technically the Sino-Soviet Aviation Company, owned fifty-fifty by the Chinese and Soviet Governments, with its fleet of two DC-3's, belongs to the category of commercial aviation in China. In fact, however, this company's transports only shuttle back and forth between Alma-Ata and Hami, in Russian and Chinese Turkestan, respectively, and are not of much service to China proper. [Footnote in the original.]

possible, the medium of CNAC, which by reason of its technical experience, facilities, and organization is best equipped to effect such improvement. Among such reasons are the following:

(1) The American interests in CNAC have pioneered in the China field and have established an excellent reputation with the Chinese for cooperativeness in administration and effectiveness in operations. They have rendered invaluable services to the Chinese Government, Chinese persons of importance, and foreigners in China. The position which they have established constitutes a political and an economic asset valuable to the United States. It is desirable that this asset be conserved. Toward conserving it, there is need that CNAC be offered the means of maintaining and strengthening itself. If this means is not provided there is danger that this splendid organization will fade out of the picture in China. Were it to fade out, there might fade out with it the favorable position for American aviation in China. It is desirable, for the post-war interest of the American aviation industry as a whole, that that position not be lost. The Chinese are not overlooking and will not fail to note the attitude of the American Government toward an American interest which has performed as has the American management in this (CNAC) enterprise.

(2) Service renderable by civil aviation in China is important in its bearing on the problem of keeping up the Chinese war effort. Most of the small number of planes other than military which are operating within China now are employed in transportation of military personnel (Chinese) and for other purposes decided upon by that personnel. Such, it is understood, will be primarily the employment of the five planes recently delivered to the Aeronautical Commission of the Chinese Government. But there is need to facilitate transportation of civilian personnel, including some official civilian personnel, not only Chinese but also American and other, commercial and industrial personnel engaged in activities non-military but of importance in connection with the war effort. There is special need for quick transportation between Chungking and Kunming, between Kunming and Kweichow, and between Chungking and Chengtu and points northwest of Chengtu.

As a result of the progressively weakening economic condition of free China, arising from the isolation of the area, and of the breakdown of transport within the area to move essential local cargoes to vital points, there is developing in China a condition bordering upon a truce with enemy-occupied areas and with the Japanese forces on the front lines. The United Nations have been casting about to find means of arresting this trend and raising the will to fight among the Chinese forces, and under present conditions it would appear that a few more air transports offer one means.

Although, it is understood, the Chinese Government is not under obligation to assign to CNAC any of the planes which may be allocated to China under Lend-Lease, there is ample reason for assuming that an arrangement can be made whereunder, if the United States Army would exempt from the restrictions contained in its contract with CNAC five transport planes, the five planes thus exempted would be put at the disposal of CNAC for employment in the operations within China of CNAC.

(3) For over ten years, in the face of the severest sort of trials, CNAC has persevered in its efforts to carry on a program which has been not only of great service to China but has also contributed to the promotion of American interests. At the present moment the Chinese are showing a tendency to do away with any enterprise in their country which in their opinion smacks of foreign "influence." Disappearance of CNAC as a result of the operation of this tendency and of lack of material American governmental support would create a vacuum in China's internal commercial air communications. It is conceivable that in those circumstances some European interest might eagerly rush in and be accepted by the Chinese, with a consequent loss to our aviation interests of their ground-floor advantage in China. Moreover, we are going to need every possible "trading" instrumentality for purposes of holding our own in our dealings with China within and during the next few years. For political, diplomatic, and commercial reasons it thus seems to the Department that it is essential that American interests such as those represented by CNAC be given strong United States support within legitimate and appropriate limits.

Accordingly, the Department strongly recommends that favorable action be taken on the standing request of CNAC for five additional transport planes.

893.24/1490

The Secretary of State to the Chairman of the Munitions Assignments Board (Hopkins)

WASHINGTON, September 1, 1943.

MY DEAR MR. HOPKINS: Reference is made to the Department's letter of March 2, 1943, in which it was requested that there be reconsidered the action taken by the Munitions Assignments Board on February 3, 1943, disapproving the request made by China Defense Supplies, Incorporated, that five C-47 transport planes be assigned to China for the use of the China National Aviation Corporation and to your letter of March 26, 1943, stating that it was necessary again to disapprove the Chinese request for additional transport planes.

As you are aware, five Lend-Lease transport planes were recently allocated to China to facilitate military and official communications. We understand that these planes have been turned over to the Aeronautical Commission of the Chinese Government for employment in such communications. This allocation, however, does not meet the standing need of the China National Aviation Corporation for five additional transports for internal communications in China and for communications between China and India. There is enclosed a memorandum²⁴ setting forth the considerations underlying the Department's recommendation that every effort be made by this Government to allocate planes to supply this need. The Department hopes that the Munitions Assignments Board will give the matter renewed and favorable consideration.

Sincerely yours,

CORDELL HULL

893.796/346 : Telegram

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

CHUNGKING, September 24, 1943—noon.

[Received 9:53 p. m.]

1796. Embassy's 1410, August 9, and Department's 1137, August 18. The British Ambassador informs that, on the initiative of the Ministry of Communications, preliminary agreement has been reached with the British-Chinese Corporation for a reorganization of the Central Air Transport Corporation (formerly Eurasia) into a joint Chinese Government and British-Chinese corporation enterprise.

We have not received any information in the matter from Chinese sources and will expect to report further in due course.

GAUSS

893.796/349 : Telegram

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

CHUNGKING, October 2, 1943—5 p. m.

[Received October 3—7 p. m.]

1849. Embassy's 1796, September 24.

1. According to Communications Minister, the British report is not correct and Chinese intend to keep CATC a purely Chinese concern. He admits, however, that for a year or longer there have been conversations with the British for a joint air service from India to China via Sikang or Sinkiang with a view to obtaining all pos-

²⁴ *Supra.*

sible means of communication and transport with the outside world. The British Ambassador in a further conversation states that CATC has "been after" the British for some time in an effort to interest them in a Sino-British aviation venture and that the British-Chinese Corporation has now come forward. His reputed understanding is that the projected Sino-British company could take over the interior routes formerly flown by Eurasia with a connection in India, assumably Calcutta; but there was no intention to open new routes through Sikang or Sinkiang as, while trial CNAC flights had shown flying could be successful in fair weather, in adverse weather planes could not reach sufficient altitudes to insure crossing the mountains.

2. These conversations have been all casual and informal and we are continuing quietly to pursue the matter.

GAUSS

893.796/350 : Telegram

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

CHUNGKING, October 4, 1943—5 p. m.

[Received October 5—1 p. m.]

1859. Embassy's 1849, October 2. An informed official of China Defense Supplies states that Chinese have no intention of reorganizing CATC into Sino-British concern and that, of the 5 Lend-Lease planes which the Generalissimo recently ordered turned over to the Aeronautical Commission, 2 will be retained by the Commission for its own use, such as transportation of military officers, and 3 will be allocated to CATC for internal commercial transport.

GAUSS

893.796/355a : Telegram

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

WASHINGTON, October 9, 1943—11 p. m.

1458. Department requests that you make every effort to clarify as discreetly as possible the alleged formation of a British-Chinese air transport corporation, referred to in your 1796 of September 24, your 1849 of October 2, and 1859 of October 4. There is a discrepancy between the information given you by the British Ambassador and the statement of the Chinese Minister of Communications. The Department is especially anxious to learn whether American Lend-Lease aircraft assigned to the Chinese Government are to be used

in a newly created British-Chinese commercial venture. Please keep the Department fully advised of all developments.

HULL

893.796/366

Memorandum of Conversation, by the Assistant Chief of the Division of Far Eastern Affairs (Stanton) ^{24a}

[WASHINGTON,] November 4, 1943.

Participants: Mr. J. D. Walstrom, IN
Mr. G. S. Roper, IN
Mr. Stanton, FE

The problem of arranging for the allocation of five airplanes to the China National Aviation Corporation was discussed at some length. It was agreed that in view of the fact that the Munitions Assignment[s] Committee (air) had again disapproved the request for these planes and that General Arnold in a recent letter made it plain that there would be no additional planes available to CNAC for a long time, there is little hope of moving the military in this matter. Mr. Walstrom stated that in view of these developments and with the approval of Mr. Berle IN was drafting a memorandum which is to be presented to the President on the general problem of allocation of a few planes for the maintenance of essential civilian air services in various parts of the world. In this connection he mentioned that the situation in South America was very acute. Mr. Stanton inquired whether specific cases would be mentioned including the case of CNAC. Mr. Walstrom replied that in as much as the memorandum had to be limited to one page it would not be possible to mention specific cases. Mr. Stanton suggested that geographical areas, including China, be mentioned. Mr. Walstrom said he thought that the memorandum could be drafted along such lines and that a copy of the draft would be sent to us for our information and comment. He said that the memorandum would suggest to the President that one or two transport planes be allocated each month from the assembly lines in the United States for the specific purpose of meeting this situation which the State Department feels is of real importance. It would be further suggested that the disposition of such planes be placed directly under the control of the State Department rather than our military authorities.

There was also some discussion regarding the possibility at this juncture of taking up with the Chinese the question of participation

^{24a} Initialed by the Chief of the Division of Far Eastern Affairs (Ballantine).

in a multilateral aviation agreement which would provide for landing rights in Chinese territories and for related matters. It was felt however that until some preliminary and exploratory discussions had been instituted with the British and Russians no useful purpose would be served in approaching the Chinese.

893.796/357 : Telegram

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

CHUNGKING, November 5, 1943—9 p. m.
[Received November 5—3:11 p. m.]

2096. Department's 1458, October 9. Discrepancy between British and Chinese statements (which, of course, was quite clear to us) continues, Chinese sources stating there is no intention to reorganize CATC into Sino-British concern and the British stating that conversations in that direction have taken place. According to British Commercial Counselor, the conversations are only in a very preliminary stage and have been no more than exploratory in regard to the question whether a Sino-British aviation concern would be advisable. His attitude toward the matter was deprecatory and he remarked that it seemed somewhat pointless as there existed no means of obtaining planes for the enterprise. We shall continue discreetly to pursue the matter.

GAUSS

893.796/364 : Telegram

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

CHUNGKING, January 6, 1944—11 a. m.
[Received 12:58 p. m.]

28. Bond of CNAC requests that Hornbeck be informed CNAC is asking through CDS for 5 planes as soon as possible in addition to usual monthly deliveries; that CNAC wishes forthwith to employ 2 for internal service greatly needed and later to so employ 3 more; that our Army has been unwilling heretofore to release planes for internal service pending attainment specified monthly inward freight movement through ATC but he trusts they will now agree since quota was reached in December; that this will further American interests besides providing urgently needed communications; and that he hopes Hornbeck will support.

In connection with above I learn Ministry Communications desires 5 planes, 2 only for CNAC and 3 for ATC. Later company, however,

which has only operated and serviced German planes, is not organized to fly and service Douglas transports. Having in mind assurances given by Soong to Currie months ago that Lend-Lease planes to China will be entrusted to CNAC for operation, I hope that, if these planes are released to China, it will be definitely stipulated that they shall be for operation by CNAC as the only organization now here competent to fly and service American transport planes.

GAUSS

INTEREST OF THE UNITED STATES IN MAINTENANCE
OF ADMINISTRATIVE INTEGRITY OF CHINESE MARI-
TIME CUSTOMS;¹ APPOINTMENT OF AN AMERICAN AS
ACTING INSPECTOR GENERAL OF CUSTOMS

693.002/1169 : Telegram

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

CHUNGKING, June 4, 1943—10 a. m.

[Received 11:02 a. m.]

845. The Minister of Finance² announced June 2 that Sir Frederick Maze, Inspector General of Customs, is retiring "on grounds of his age and health" and that Mr. L. K. Little³ has been appointed Acting Inspector General. The Chief Secretary of the Inspectorate General, Mr. K. D. Ting, is to officiate following Maze's retirement and until Little's arrival.

ATCHESON

693.002/1174

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

[WASHINGTON,] June 11, 1943.

Reference is made to the attached letter from Mr. Currie of June 8, 1943,⁴ forwarding for consideration a letter from Mr. L. K. Little, an American citizen, long in the Chinese Maritime Customs Service and one of the senior Commissioners of that Service, who has been appointed to the post of Acting Inspector General of Customs in succession to Sir Frederick Maze, a British subject.

Mr. Little is the first American to hold the post of Inspector General of Customs. Before accepting the post Mr. Little informs us that he felt bound in duty to accept the post although he realized that he would be faced with many and perhaps insurmountable difficulties in his endeavors to prevent an apparently planned reorganization of the Customs to eliminate therefrom the foreign officers of various nation-

¹ Continued from *Foreign Relations*, 1942, China, pp. 680-682.

² H. H. Kung.

³ American Commissioner of Customs at Canton, on leave.

⁴ Not printed; Lauchlin Currie was Administrative Assistant to President Roosevelt.

alties whose general integrity, ability, and devotion to duty are largely responsible for the maintenance of the Customs Service on an efficient revenue-producing basis.

While this Government has not in years past taken the active interest in the Customs and in the American members thereof which has been exhibited by the British, French, Japanese, and other Governments, there have been occasions when we have made approaches to the Chinese Government looking to the maintenance of the administrative integrity of the Customs, which has been the keystone of China's foreign credit and on which have been secured a number of foreign loans. Also, on a number of occasions, between the commencement of the Sino-Japanese hostilities in 1937 and the outbreak of war between the United States and Japan we have cooperated with the Chinese Government in protesting against Japanese interference with the Customs in occupied territory. It is believed that we should continue, not only for the sake of American commercial interests but also for the sake of China's own interests, to support and pursue a policy looking to the maintenance of an efficient Customs service and the retention of competently trained foreign personnel until such time as the need of their services in the reestablishment of the Customs Administration in the occupied areas has ceased to exist, and they can be replaced by competent and otherwise satisfactory Chinese officers.

It is accordingly suggested, with a view to facilitating Mr. Little's task, that Mr. Welles⁵ or Mr. Hornbeck might take occasion to discuss the question of the Customs with Dr. T. V. Soong.⁶ Suggested comments which might be made to Dr. Soong in this connection are outlined in the underlying enclosure.⁷

It is believed that the issuance of a statement to the press, as suggested by Mr. Little, would accomplish no useful purpose, and in addition might well irritate the more extreme nationalistic elements in the Chinese Government who are understood to be desirous of eliminating all foreign influence from the Customs Service.

If the action proposed above is approved, it is suggested that FE be authorized to inform Mr. Currie orally of the decision reached.

J[OSEPH] W. B[ALLANTINE]

⁵ Sumner Welles, Under Secretary of State.

⁶ Attached is a note by the Adviser on Political Relations (Hornbeck): "I concur in the above. I believe that the effectiveness of the making of comments to Dr. Soong would be much greater if done by Mr. Welles than if done by Mr. Hornbeck. SKH" Dr. T. V. Soong was Chinese Minister for Foreign Affairs, temporarily in the United States. On June 21 Mr. Welles informed Dr. Hornbeck that the Secretary of State had agreed with Mr. Welles that Dr. Hornbeck should take this up with Dr. Soong.

⁷ Not printed.

693.002/1174

*Memorandum of Conversation, by the Adviser on Political Relations
(Hornbeck)*

[WASHINGTON,] August 19, 1943.

I discussed this subject with Dr. Soong last evening. Dr. Soong stated to me that the Chinese Government fully realizes the importance and the value to it of continuing to maintain the established Maritime Customs Administration and retaining the services of those persons among the foreign personnel who are effectively "useful, especially those who have technical knowledge and experience". He remarked that China would need for years to come the services of foreign "experts and administrators"—if anything in increasing numbers; he and other Chinese want to train Chinese personnel for various types of service as rapidly as possible, and they are working at it, "but it will take time". Dr. Soong spoke highly of Mr. Little; and he and I discussed, in agreement, Mr. Little's qualifications and attitude and potential usefulness. I expressed the hope and the belief that there would be the best of cooperation between Mr. Little and his Chinese associates; and Dr. Soong indicated his concurrence.

S[TANLEY] K. H[ORNBECK]

[On April 14, 1944, Mr. Little was named Inspector General of Customs.]

TREATY BETWEEN THE UNITED STATES AND CHINA FOR
RELINQUISHMENT OF EXTRATERRITORIAL RIGHTS
IN CHINA AND THE REGULATION OF RELATED MAT-
TERS, SIGNED JANUARY 11, 1943 ¹

[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 and treaty and notes came into effect on that day; this was so proclaimed by the President on May 24.

The British treaty was signed at Chungking, January 11, 1943; *British and Foreign State Papers*, volume CXLV, page 129.]

¹ For correspondence regarding negotiation of this treaty, see *Foreign Relations*, 1942, China, pp. 268 ff.

AGREEMENT BETWEEN THE UNITED STATES AND
CHINA REGARDING JURISDICTION OVER CRIMINAL
OFFENSES COMMITTED BY AMERICAN ARMED FORCES
IN CHINA, EFFECTED BY EXCHANGE OF NOTES SIGNED
MAY 21, 1943

793.003/1059a : Telegram

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

WASHINGTON, January 4, 1943—7 p. m.

18. In connection with the forthcoming abolition of American extraterritorial rights in China,¹ there arises the question of the exercise of jurisdiction over American military personnel stationed in that country at the invitation of the Chinese Government.

As you may be aware this Government has entered into arrangements with a number of other countries whereby American military authorities in those countries exercise criminal (but not civil) jurisdiction over military personnel under their command. In an exchange of notes between the United States and Great Britain of July 27, 1942,² for example, agreement was reached that the Service courts and authorities of the United States forces should "exercise exclusive jurisdiction in respect of criminal offenses which may be committed in the United Kingdom by members of those forces."

We have refrained heretofore from bringing this question to the attention of the Chinese Government because we have desired to avoid the possibility that such action might be misinterpreted as having relationship to or bearing upon the negotiations concerning the treaty on extraterritoriality and because it has been our desire that the treaty should make it clear that we have no intention of retaining any vestiges of the old system.

The question presented is a practical one. It arose during the last World War whenever troops of one country operated in the territory of another country at the invitation of the latter country, and numerous agreements on the subject were concluded between various countries. In our view, we have the right under international law to exercise such jurisdiction without specific agreement. In order, how-

¹ See bracketed note, p. 690.

² Military Service Agreement effected by exchanges of notes signed or dated at Washington, March 30, April 29, June 9, and September 30, 1942, Department of State Executive Agreement Series No. 307, or 56 Stat. 1906.

ever, to avoid possible misunderstandings, arrangements were entered into by this country with a number of countries during the last World War and are being entered into during the present war.

It is requested that, in your discretion, you raise this question orally and informally with Dr. Soong³ and ask that he indicate his opinion as to the most feasible way of proceeding in the matter. You may say that it has been our thought here that it would be preferable to await the signing of the treaty on extraterritoriality before approaching the Chinese Government formally in the matter. It has also been our thought that it would be desirable, in order to avoid possible misunderstandings in the future, not to rely solely upon international law as a basis upon which to assume that our military authorities in China would continue to exercise criminal jurisdiction over American military personnel in that country. We suggest that an appropriate arrangement might be effected by an informal exchange of notes; and that the notes need not necessarily be published, depending upon the wishes of the Chinese Government. Our note would read somewhat as follows:

It is the desire of the Government of the United States that the Service courts and authorities of its military and naval forces shall during the continuance of the present conflict against our common enemies exercise exclusive jurisdiction over criminal offenses which may be committed in China by members of such forces.

If cases arise in which for special reasons the Service authorities of this Government may prefer not to exercise the above jurisdiction, it is proposed that in any such case a written statement to that effect shall be sent to the Chinese Government through diplomatic channels, in which event it would be open to the Chinese authorities to assume jurisdiction.

Assurance is given that the Service courts and authorities of the United States forces in China will be willing and able to try and on conviction to punish all criminal offenses which members of the United States forces may be alleged on sufficient evidence to have committed in China and that the United States authorities will be willing in principle to investigate and deal appropriately with any alleged criminal offenses committed by such forces in China which may be brought to their attention by the competent Chinese authorities or which the United States authorities may find have taken place.

In so far as may be compatible with military security, the Service authorities of the United States will conduct the trial of any member of the United States forces for an offense against a member of the civilian population promptly in open court and within a reasonable distance from the place where the offense is alleged to have been com-

³ T. V. Soong, Chinese Minister for Foreign Affairs.

mitted so that witnesses may not be required to travel great distances to attend the trial.

The competent American authorities will be prepared to cooperate with the authorities of China in setting up a satisfactory procedure for affording such mutual assistance as may be required in making investigations and collecting evidence with respect to offenses alleged to have been committed by members of the armed forces of the United States. As a general rule it would probably be desirable that preliminary action should be taken by the Chinese authorities on behalf of the American authorities where the witnesses or other persons from whom it is desired to obtain testimony are not members of the United States forces. In prosecutions in Chinese courts of persons who are not members of the United States forces but where members of such forces are in any way concerned the Service authorities of the United States will be glad to render such assistance as is possible in obtaining testimony of members of such forces or in making appropriate investigations.

It is proposed that the foregoing arrangement shall be in effect during the present war and for a period of six months thereafter.

If the above arrangement is acceptable to the Chinese Government this note and the reply thereto accepting the provisions outlined shall be regarded as placing on record the understanding between our two Governments. (End proposed note.)

The principal consideration in our mind is, of course, to provide for the exercise of exclusive jurisdiction in criminal matters by American military authorities over American military personnel, and the particular form of the agreement to be reached would be a matter of lesser importance.

It is suggested that you inform General Stilwell⁴ that you are taking up this matter informally with Dr. Soong and that you discuss with him any pertinent phases of the matter.

HULL

811.203/208 : Telegram

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

CHUNGKING, January 9, 1943—9 a. m.

[Received 2:43 p. m.]

43. I have discussed with Foreign Minister the subject of criminal jurisdiction over American military personnel as directed in your 18, January 4, 7 p. m. Soong stated he accepts the principle and is agreeable to exchange of notes but suggests that the text of Anglo-

⁴ Gen. Joseph W. Stilwell, Commanding General, United States Army Forces in China, Burma, and India.

American notes on same subject be obtained and followed as closely as possible. He remarked that this is lazy man's suggestion to avoid necessity of legal examination of texts but I suspect he wishes to be able to assure the Generalissimo⁵ that we are treating with China on the same basis of equality that we deal with Britain. I told Soong that I had no doubt our draft of proposed exchange of notes followed substantially the arrangement with Britain but that I did not have text of that arrangement. I await Department's further instructions.

GAUSS

811.203/233

*Memorandum of Conversation, by the Ambassador in China (Gauss)*⁶

[CHUNGKING,] January 9, 1943.

Present: Lieut. Gen. Stilwell, U. S. A.
Brig. Gen. Hearn, U. S. A., Chief of Staff
Mr. Gauss

I called in at military headquarters this afternoon to see General Stilwell and informed him of the instructions contained in the Department's telegram no. 18, January 4, 7 p. m., in reference to criminal jurisdiction over American military personnel in China following the coming into force of the Sino-American treaty relinquishing American extraterritorial rights in China.

I mentioned that it was my understanding that China and India had reached some arrangement regarding military jurisdiction in criminal cases in respect to the Chinese forces now at Ramgarh, India; and that there is also an understanding with Britain regarding American military personnel in India—and in the United Kingdom. I inquired whether he had the texts of any of these arrangements. He had not; but General Hearn, his Chief of Staff, had a copy of the British orders in India regarding jurisdiction over American and Chinese military personnel, and upon examining it General Stilwell mentioned that the provisions are similar in the two instances except that in the case of the American military establishments there is exemption from search by the British authorities while this exemption does not hold true in reference to the Chinese encampments.

I asked General Stilwell whether he had any comments or suggestions to make in connection with my approach to Dr. Soong, the

⁵ Chiang Kai-shek, President of the Chinese Executive Yuan (Premier).

⁶ Copy transmitted to the Department by the Ambassador in his despatch No. 848, January 11; received February 13.

Foreign Minister, in accordance with my instructions from Washington. He replied that he had nothing to offer; the proposed move is entirely in line with the desires of the military.

C[LARENCE] E. G[AUSS]

811.203/220: Telegram

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

CHUNGKING, January 30, 1943—10 a. m.

[Received 10:50 a. m.]

169. Reference further to your 18, January 4, 7 p. m. Foreign Office after consulting Military Affairs Commission is agreeable to proposed informal exchange of notes with following suggested amendment and addition:

1. In the fourth paragraph where it is provided that trial will be conducted "in open court and within reasonable distance from place where offense is alleged to have been committed" insert the words "in China" after the words "in open court."

2. Add paragraph along the following lines between fifth and sixth paragraphs of our draft:

"Inasmuch as the interests of our common cause will be best served if such arrangements as may be agreed upon between the Government of the United States and the Government of China as regards the jurisdiction over American forces in China are equally applicable in the case of Chinese forces which in the course of war against our common enemies may be stationed in territory under American jurisdiction, the Government of the United States will be ready to make like arrangements to ensure to the Chinese forces which may be stationed in territory under American jurisdiction a position corresponding to that of the American forces in China."

It is admitted informally that this provision for reciprocal treatment is a matter of face. It is suggested that proposed additional paragraph might be shortened along the following lines:

"Inasmuch as the interests of our common cause will best be served by provision that the foregoing arrangement may be placed on a reciprocal basis, it is agreed that the Government of the United States of America will be ready to make like arrangements to ensure to such Chinese forces as may be stationed in territory under American jurisdiction a position corresponding to that of the American forces in China."

Please instruct.

GAUSS

811.203/220 : Telegram

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

[Extract]

WASHINGTON, February 4 [10], 1943—7 p. m.

210. Your 169, January 30. Department agrees to suggested amendment. Department has no objection to either form of additional paragraph concerning reciprocity but prefers shorter form.

You are authorized to exchange notes on basis of this telegram and Department's No. 18, January 4, as soon as the Treaty of January 11⁷ becomes effective.

HULL

811.203/256 : Telegram

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

CHUNGKING, April 1, 1943—9 a. m.

[Received 11:50 a. m.]

478. Department's 210, February 10, 7 p. m.

1. In response to an inquiry made by the Ambassador prior to his departure whether the Chinese Government wished to treat as confidential the exchange of notes in regard to criminal jurisdiction over American military personnel in China, Ministry of Foreign Affairs has indicated that it intends to publish the exchange of notes.

2. The Ministry of Foreign Affairs indicated its desire that the exchange take place the day after the exchange of ratifications of the new treaty is made in Washington and I feel, and so do our military authorities, that for obvious reasons it would be preferable to exchange the notes on the day ratifications are exchanged, but shall not make a point of the matter unless the Department instructs me to do so.

3. Recently the Acting Minister for Foreign Affairs discussed with me certain proposals for changing our draft note. He had seen the British Parliamentary Act for implementing our agreement with Great Britain and desired to have incorporated in our note a reservation with regard to the Chinese Government's powers of arrest, search, entry or custody and another reservation of the Chinese Government's right "to define by such regulation or orders as it may consider necessary or proper, the manner and means of determining, for purposes of this understanding, what persons shall be deemed to be members of

⁷ Signed at Washington; it provided for relinquishment of extraterritorial rights in China and the regulation of related matters, 57 Stat. 767.

the military and naval forces of the United States of America in China." It will be recalled that the British Act contains sections along the lines of these two reservations. After several subsequent discussions I persuaded the Foreign Office that it would not be appropriate to include these reservations in the exchange of notes. The Acting Foreign Minister frankly admitted that question of face was largely responsible for issue having been raised. It is probable now that the Supreme National Defense Council, which raised the issue, or the Legislative Yuan, will adopt some kind of regulation or law along the lines of the British Act. I have pointed out that such regulation or law should implement and facilitate operation of the agreement rather than modify it.

4. I have kept General Stilwell informed of the foregoing developments.

VINCENT

811.203/281 : Telegram

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

CHUNGKING, May 17, 1943—1 p. m.

[Received May 18—6:58 a. m.]

724. Department's 210, February 10, 7 p. m.

1. It has been arranged with Foreign Office that the exchange of notes in regard to question of jurisdiction over American military personnel stationed in China will be signed at Foreign Office Friday morning May 21. As agreed upon between Embassy and Foreign Office, the final texts of the notes, in which are incorporated some minor phraseological changes from the original drafts, will read as in Embassy's 725^a to follow.

2. The Embassy will, following the signing of the notes, notify Department by telegraph that the notes have been signed.

3. Copies of the notes, when signed, with Chinese translation, will be furnished General Stilwell's headquarters and it is assumed that Department will wish to furnish copies to War Department. The Foreign Office requests that following signature the Department furnish copies to Chinese Embassy at Washington. Chinese translations, with typed copies, will go forward in due course to Department by mail.

The Foreign Office states that it will publish texts of notes immediately after signature.

ATCHESON

^a Telegram No. 725, May 17, 2 p. m., not printed.

811.203/284: Telegram

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

CHUNGKING, May 21, 1943—9 a. m.

[Received 9:35 a. m.]

748. Embassy's 725, May 17, 2 p. m.⁹ At the Foreign Office this morning May 21 Kuo Cheng Wu (Dr. K. C. Wu) and I signed and exchanged the notes on military jurisdiction¹⁰ as set forth in the telegram under reference. Both notes were accompanied by agreed upon Chinese translations which were also signed at the request of Dr. Wu who stated that this was contemplated in the oral arrangements previously come to with the Embassy.

Dr. Wu stated that the Foreign Office plans to publish the notes in the Chinese press tomorrow with a short explanation to the effect that they constitute an arrangement similar to arrangements entered into between the United States and various countries during the last war and also entered into between the United States and Great Britain and a number of other countries during the present war.

ATCHESON

811.203/358

*The Chinese Ministry for Foreign Affairs to the American Embassy in China*¹¹

[Translation]

[CHUNGKING, October 13, 1943.]

The Ministry of Foreign Affairs presents its compliments to the American Embassy and has the honor to state that in the matter of exercising exclusive jurisdiction by the service courts and the authorities of the military and naval forces of the United States over criminal offenses committed by members of the armed forces of the United States in China, the Ministry has received from the Executive Yuan a copy of the Regulations Governing the Handling of Criminal Offenses Committed by Members of the Armed Forces of the United States in China.

The Ministry has the honor to enclose, for the Embassy's information, a copy thereof.

(STAMPED) MINISTRY OF FOREIGN AFFAIRS
OF THE REPUBLIC OF CHINA

⁹ Not printed.¹⁰ For text, see Department of State Executive Agreement Series No. 360, or 57 Stat. 1248.¹¹ Copy transmitted to the Department by the Ambassador in China in his despatch No. 1788, November 8; received November 27.

[Enclosure—Translation]

Regulations Governing the Handling of Criminal Offenses Committed by Members of the Armed Forces of the United States in China, Promulgated October 1, 1943

Article 1. With a view to facilitating the united waging of the war and on the basis of reciprocal spirit the Government of the Republic of China hereby extends the adjudication of criminal offenses committed by members of the armed forces of the United States within the territory of China to the service courts and the authorities of the military and naval forces of the United States. These cases shall be handled in accordance with the provisions of these Regulations.

Article 2. Jurisdiction over criminal offenses committed by members of the American armed forces in China shall be exercised by Chinese courts in the event that the service authorities of the Government of the United States notify the Chinese Government of their consent that the cases be so handled.

Article 3. The term "members of the American armed forces" used in these Regulations refers to those who, according to American law, are under the jurisdiction of the Army or Navy of the United States. The term does not include Chinese nationals serving with the American armed forces and nationals of third Powers or persons without nationality who are employed in China by the American armed forces.

In order to prove their identification, members of the American armed forces shall exhibit documentary evidence showing that they are at that time under the jurisdiction of the army or navy of the United States.

Article 4. The provisions concerning adjudication stipulated in Article 1 do not, under the Chinese law, affect the right of questioning, arresting, detaining, searching, attaching or investigating members of the United States armed forces who have committed criminal offenses or who are suspected of having committed criminal offenses.

When it is found that members of the American armed forces have committed or are suspected of having committed criminal offenses, the American military or naval authorities concerned should immediately be notified of the facts of the offenses or of the suspected offenses and the offenders should be handed over to such authorities for action.

Article 5. Chinese courts or organization concerned may request copies of the judgments which have been handed down by the American service courts or military or naval authorities in China to members of the American armed forces in China and may, prior to the rendering of a judgment, make inquiries as to the status of a case.

Article 6. No person shall, when acting with good intentions, be held civilly or criminally responsible under these regulations for his conduct toward an enlisted man or officer of the United States armed forces if, at the time, he did not recognize the military status of the enlisted man or officer.

Article 7. These regulations shall be put into force from the date of promulgation and the period of validity thereof shall be terminated six months after the conclusion of the united war.

ATTITUDE OF THE UNITED STATES TOWARD STATUS
OF THE CHINA FOUNDATION FOR THE PROMOTION
OF EDUCATION AND CULTURE AFTER TERMINATION
OF THE BOXER PROTOCOL OF 1901

793.003/12-942

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

[WASHINGTON,] December 9, 1942.

(There is attached a copy,¹ as furnished Mr. Hornbeck² by Mr. Liu Chieh^{2a} of the Chinese Embassy, of a telegram from the Chinese Minister of Education at Chungking³ to Dr. Hu Shih, former Chinese Ambassador and a member at present of the Board of Trustees of the China Foundation for the Promotion of Education and Culture. In furnishing this copy, Mr. Liu, and it is believed Dr. Hu Shih, had some preliminary discussion of the question raised in the telegram with Mr. Hornbeck who subsequently sent it to FE⁴ for consideration and action.)

During the course of a call at the Department on another matter on December 8, Mr. Liu mentioned Dr. Wong's telegram, stated that the Board of Trustees of the China Foundation was to meet this morning in New York, and requested that, if possible, he be furnished the Department's opinion on the questions whether (1) there would continue, upon the going into effect of the proposed treaty on extraterritoriality,⁵ to rest upon the Chinese Government an obligation to pay to the China Foundation the remitted sums, amounting to about \$5,000,000, payment of which had been held in suspense; and (2) whether, in such case, payment would continue to be made by the Chinese Government to the American Government for transfer to the China Foundation (it is understood that under procedure existing before the war the Foreign Office delivered to the American Consulate General at Shanghai a check and the Consulate General endorsed the check over to the China

¹ Not printed.

² Stanley K. Hornbeck, Adviser on Political Relations.

^{2a} Minister Counselor of the Chinese Embassy.

³ The telegram was sent by Wong Wen-hao, Chinese Minister of Economic Affairs.

⁴ Division of Far Eastern Affairs.

⁵ See bracketed note, p. 690.

Foundation so that as far as this Government is concerned the transaction was purely a paper one).

I discussed this matter with Mr. Hiss⁶ of PA/H and subsequently with Mr. Hackworth,⁷ and as a result of that discussion telephoned Mr. Liu and stated that I was able to give him an informal opinion based principally upon the language of the Executive Order (no. 4268) of July 16, 1925,⁸ whereby the President authorized and directed the Secretary of the Treasury to remit to the Board of Trustees of the China Foundation, as the agent designated by the Chinese Government to receive them, all payments of the annual installments of the Chinese indemnity made subsequent to October 1, 1917, et cetera. I said that it appeared that such authorization and direction was given by the President in the light of various considerations, as follows: that a Joint Resolution of Congress approved May 21, 1924,⁹ authorized the President in his discretion to remit to China all future payments of the annual installments of the Chinese indemnity; that the Chinese Minister informed the Secretary of State on June 14, 1924,¹⁰ that the Chinese Government proposed to devote the funds thus made available to educational and cultural purposes and to entrust the administration of the funds to a Board composed of Chinese and American citizens; that the Chinese Minister on September 16, 1924, forwarded to the Secretary of State a copy¹¹ of the constitution of the Board which he stated had been designated "The China Foundation for the Promotion of Education and Culture"; and that the Chinese Minister on June 6, 1925, informed the Secretary of State¹² that the Board was a corporate body instituted by a mandate of the President of China on September 17, 1924, for the custody and control of the remitted indemnity funds.

I went on to say to Mr. Liu that it accordingly seemed that, although the proposed treaty on extraterritoriality would terminate any rights of this Government in regard to Boxer Indemnity funds (whether future funds or whether past funds due but not yet paid) and would therefore eliminate this Government as an agency in any transaction involving the paying of such funds from the Chinese Government to the China Foundation, the treaty would not *ipso facto* affect the relations of the Chinese Government with the Board and would not affect any obligations of the Chinese Government to the Board such

⁶ Alger Hiss, Assistant to the Adviser on Political Relations.

⁷ Green H. Hackworth, Legal Adviser.

⁸ *Foreign Relations*, 1925, vol. I, p. 935.

⁹ 43 Stat. 135.

¹⁰ *Foreign Relations*, 1924, vol. I, p. 555.

¹¹ Note and enclosure not printed.

¹² Text of note not printed; for summary, see Executive Order No. 4268, July 16, 1925, *Foreign Relations*, 1925, vol. I, pp. 935, 936.

as those indicated in the Executive Order above mentioned. I added that accordingly it seemed to me that there rested on the Chinese Government some legal as well as moral obligation to pay to the Board the sums due but not paid up to the time of the coming into effect of the treaty.

At Mr. Liu's request I told him that we would send him a copy of the Executive Order in question and subsequently did so.

GEORGE ATCHESON, JR.

793.003/1080 : Telegram

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

CHUNGKING, January 15, 1943—noon.

[Received 1 p. m.]

79. In conversation last evening Dr. Wong Wen Hao, who is active here as one of trustees of China Foundation for Promotion of Education and Culture, commented that the new American treaty would seem to raise the question whether the balance of Boxer Indemnity payments is eventually to be paid by China for remission to the Foundation which, as the Department knows, was established with Indemnity funds and which has been borrowing from the Government banks on security of future payments due from China but suspended during the war. He asked my opinion on the point. While I had in mind the conversation at the Department on October 26 with the Minister Counselor of the Chinese Embassy as communicated to me in your instruction 158 of November 20,¹³ I offered no opinion, feeling that perhaps the point may not have been studied specifically and in detail by the Department. Am I authorized to give any expression of opinion, formal or informal, on the point?

But for the conversation at Washington referred to, I would have concluded that our relinquishment of rights under Boxer Protocol¹⁴ did not affect the bond given under that Protocol, the payments under which have already been remitted by us for the benefit of the China Foundation. I doubt whether British consider treaty as affecting Boxer Indemnity but have not deemed it advisable to discuss point with my British colleague without prior consultation with the Department.

GAUSS

¹³ Instruction not printed; for text of memorandum of October 26, 1942, by the Assistant Chief of the Division of Far Eastern Affairs, see *Foreign Relations*, 1942, China, p. 337.

¹⁴ Signed at Peking, September 7, 1901, *Foreign Relations*, 1901, Appendix, (Affairs in China), p. 312.

793.008/1080 : Telegram

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

WASHINGTON, January 20, 1943—5 p. m.

113. Your 79, January 15, noon. The statement of October 26 by an officer of the Department to the Minister Counselor of the Chinese Embassy, mentioned in your telegram under reference, 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" was the considered opinion of the Department, formulated after consultation with the Treasury Department. The British Government was informed of this opinion and expressed concurrence therewith. The phrase "any and all rights" was intended to cover also the bond given by the Chinese Government pursuant to the Protocol, and the Department will expect so to interpret Article II of the Chinese-American treaty of January 11¹⁵ when the treaty is ratified and comes into effect.

On December 9, 1942, the Minister Counselor of the Chinese Embassy inquired, on the basis of a telegraphic inquiry from Dr. Wong Wen-hao to Dr. Hu Shih, whether under the new treaty there would continue any obligation on the part of the Chinese Government to pay to the China Foundation the remitted sums, payment of which had been held in suspense. In response, an officer of the Department stated as an informal opinion that although the treaty would terminate any rights of this Government in regard to Boxer Indemnity funds and would therefore eliminate this Government as an agency in any transaction involving payment of such funds from the Chinese Government to the China Foundation, the treaty would not *ipso facto* affect the relations of the Chinese Government with the Board of Trustees of the China Foundation; and that it seemed that there rested upon the Chinese Government some legal as well as moral obligation to pay to the Board the sums due but not paid up to the time of the coming into effect of the treaty. (A memorandum of this conversation went forward to you by mail and should reach you shortly.)

Upon the coming into effect of the treaty, the relationship between the Chinese Government and the China Foundation will, in the Department's opinion be a matter for determination by and between those entities—with due respect for the considerations advanced above. However, the Department feels that if representatives of the China Foundation for its part should request the Department's opinion as to the obligations of the Chinese Government to the Foundation, the Department's views as indicated above should be expressed informally to the inquirers. Similarly, if Chinese officials should raise the ques-

¹⁵ Department of State Treaty Series No. 984, or 57 Stat. 767.

tion, they also should be informally given our views and the inquirer be informed in addition that we would feel obligated to express the same opinion if inquiry should be made by representatives of the Foundation. You are accordingly authorized to speak for the Department along the lines indicated, if and when occasion therefor arises.

HULL

893.42/360

*Memorandum of Conversation, by the Chief of the Division of Far Eastern Affairs (Hamilton)*¹⁶

[WASHINGTON,] February 8, 1943.

Participants: Dr. Alfred Sze, Former Chinese Minister, Member of Board of Trustees of the China Foundation
Mr. Hamilton
Mr. Atcheson

Dr. Sze called at his request on Mr. Hamilton this morning.

Dr. Sze stated that he and Dr. Hu Shih had recently received a telegram from Dr. Wong Wen-hao, Chinese Minister of Economics in Chungking, one of the trustees of the China Foundation, in regard to the question of the rights of the Foundation to Boxer Indemnity funds. It was stated in the telegram that Dr. Wong had mentioned this matter to Ambassador Gauss; that Mr. Gauss said he would refer it to Washington; that there had also been some discussion by Dr. Wong with Dr. T. V. Soong¹⁷ and Dr. Sun Fo;¹⁸ that Dr. Soong and Dr. Sun Fo had indicated that they felt that the work of the Foundation should go on; that Dr. Soong had said he would endeavor to obtain the Generalissimo's¹⁹ approval; that Dr. Soong had also stated, however, that payments to the Foundation would cease upon the coming into effect of the new treaty on extraterritoriality; and that certain influential people in the Chinese Government considered that the Chinese Government should take over the Foundation's fund.

Mr. Hamilton stated that Mr. Gauss had telegraphed the Department in regard to the question of what obligations might rest on the Chinese Government to continue paying to the Foundation remitted Boxer Indemnity funds. The Department had informally, in response to the inquiry, expressed the opinion that Article II of the new treaty made it clear that all of this Government's rights under the Boxer

¹⁶ Copy transmitted to the Ambassador in China in instruction No. 222, February 12.

¹⁷ Chinese Minister for Foreign Affairs.

¹⁸ President of the Chinese Legislative Yuan.

¹⁹ Chiang Kai-shek, President of the Chinese Executive Yuan (Premier).

Protocol and under supplementary agreements thereto would cease upon the coming into effect of the new treaty on extraterritoriality; that this Government's rights in regard to the bond given by the Chinese Government pursuant to the Protocol would also cease; that although this Government's rights in regard to Boxer Indemnity funds would be terminated by the treaty and this Government would therefore be eliminated as an agency in any transaction involving payment of such funds to the China Foundation by the Chinese Government, it seemed to us that there rested upon the Chinese Government some legal as well as moral obligation to pay to the Foundation the remitted sums due but not paid up to the time of the coming into effect of the treaty. Mr. Acheson went on to say that it is our opinion that the treaty will not itself affect the relationship between the Chinese Government and the Foundation; that such relationship will be a matter for determination by those two organizations, with due regard for the considerations mentioned above; but that, as Mr. Hamilton mentioned, the Chinese Government would, in the light of the considerations upon which the Boxer Indemnity payments had been remitted, seem to have legal as well as moral obligation to continue to hand over to the Foundation sums due but not paid up to the time of the coming into effect of the treaty.

Dr. Sze asked whether he could construe the informal expression of opinion given by the Department as meaning or implying that the Department expected that the China Foundation would continue in existence. Mr. Hamilton and Mr. Acheson replied that the Department's comment carried with it, in their opinion, an assumption that the China Foundation would continue in existence as long as and in so far as that were made possible by the payment to it of payments in arrears up to the time of the going into effect of the treaty on extraterritoriality.

Dr. Sze had referred to the fact that he was in Washington as Chinese Minister at the time when there had been worked out the procedure under which this Government had in 1925 made remission of the remaining Boxer Indemnity funds. Dr. Sze said that the term "Foundation" had been used because there had been a desire to have the remitted funds constitute a permanent fund for the purposes mentioned, which fund would always be a memorial of the liberal and generous attitude of this Government. Dr. Sze indicated that he was of the opinion that remitted funds already paid to the Foundation were the property of the Foundation and constituted a direct gift to the Foundation from the American Government. Dr. Sze said that the China Foundation was a legal entity under Chinese law and that in his opinion the Chinese Government had no more right to take over

the funds of the China Foundation than it would have to take over the funds of any other Chinese legal person. With regard to this last mentioned point, Mr. Hamilton stated that this question had not previously been raised with the Department. Neither Mr. Hamilton nor Mr. Atcheson gave any expression of opinion on the point.

After further informal discussion of various aspects of the Foundation's activities and problems, and thanking Mr. Hamilton and Mr. Atcheson, Dr. Sze departed.

M[AXWELL] M. H[AMILTON]

811.42793/1057: Telegram

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

CHUNGKING, March 26, 1943—10 a. m.

[Received 11:35 a. m.]

447. Reference Department's instruction 222, February 12,²⁰ in regard to China Foundation. I have been informed by Cabinet Minister that at a meeting of the Executive Yuan on the 23rd the question of China Foundation was discussed. Memorandum prepared by Ministries of Foreign Affairs, Finance and Education recommended that payments in arrears up to time of the coming into effect of new treaty should be made; that there should be no subsequent payments; but that Foundation should continue in existence with what funds it had and might receive as donations. Ensuing discussion revealed that Minister of Education wished to become *ex officio* member of the Board of Trustees or to have the right to appoint a member. It also revealed that, although Ministry of Education was party to the memorandum, followers of Minister of Education at the meeting (Minister of Social Affairs and Secretary General of Executive Yuan[]) favored dissolution of Foundation and transfer of its functions to Ministry of Education. I am informed the Generalissimo, Kung,²¹ and Soong favor continued existence of Foundation but nationalistic elements represented by "CC 22 clique" members feel that Foundation will be inconsonant with China's new position of full equality after relinquishment of extraterritoriality. Kung took little part in discussion and adjourned meeting without decision. I am informed, however, that affirmative decision on the memorandum will be taken but that question of meeting Education Minister's desire to be represented on Board may cause difficulties.

²⁰ Not printed, but see footnote 16, p. 705.

²¹ H. H. Kung, Chinese Minister of Finance.

²² Chen brothers, Kuo-fu and Li-fu.

Dr. Sze's conversation with officers of the Department (Department's reference instruction) was telegraphed to Chungking substantially as reported in Department's memorandum.

VINCENT

811.42793/1173

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

[WASHINGTON,] April 6, 1943.

Dr. Kan Lee²³ called at his request this morning. He stated that Dr. Soong had given him the task of examining into the question of the continuation of the China Foundation for the Promotion of Education and Culture—that question having arisen because of the treaty on extraterritoriality signed between the United States and China on January 11, 1943.

Dr. Kan mentioned that he understood that some aspects of this question had been raised with us before by Dr. Alfred Sze, former Chinese Minister and a member of the Board of the China Foundation, and by Mr. Liu Chieh, Minister Counselor of the Chinese Embassy. Dr. Kan said that he understood that there were elements in the Government at Chungking which wished to alter the constitution of the Board although in what way he did not know; he wished to discuss the matter informally; and he requested an informal opinion from me as to what obligation might continue to rest on the Chinese Government to hand over to the China Foundation payments of Boxer Indemnity funds which were in suspense, and also an opinion in regard to possible changes in the Board's constitution.

In reply I referred to conversations on this subject held with Mr. Liu Chieh on December 9, 1942 and with Dr. Sze on February 18 [8], 1943, went over the ground covered in those conversations and repeated the opinion which we had expressed on those occasions to the effect that Article II of the new treaty on extraterritoriality made it clear that all of this Government's rights under the Boxer Protocol and under supplementary agreements thereto would cease upon the coming into effect of the treaty; that although this Government's rights in regard to Boxer Indemnity funds would be terminated by the treaty and this Government would therefore be eliminated as an agency in any transaction involving payment of such funds to the China Foundation by the Chinese Government, it seemed to us that there rested upon the Chinese Government some legal as well as moral obligation to pay to the Foundation the remitted sums due but not

²³ Commercial Counselor of the Chinese Embassy.

paid up to the time of the coming into effect of the treaty; that termination of extraterritoriality under the new treaty would not itself affect the relationship between the Chinese Government and the Foundation; that such relationship would be a matter for determination by those two organizations, with due regard for the considerations mentioned above; but that the Chinese Government would, in the light of the considerations upon which the Boxer Indemnity payments had been remitted pursuant to the provisions of Executive Order No. 4268, July 16, 1925, seem to have legal as well as moral obligations to continue to hand over to the Foundation sums due but not paid up to the time of the coming into effect of the treaty.

I made it clear to Dr. Kan that this opinion had been expressed previously as now not upon our own initiative but in response to request for such an opinion and mentioned that in addition to such request from Dr. Sze and Mr. Liu Chieh, the Chinese Minister of Economics in Chungking, Dr. Wong Wen-hao, had made a similar request of our Embassy there and the Embassy had been instructed to convey to Dr. Wong the opinion in question. I showed to Dr. Kan a copy of the Executive Order mentioned previously, and at his request, told him that I would be glad to send a copy to him.

As regards the question of changes in the constitution of the Board, I said that I was not familiar with the provisions of the constitution and that if he could not find a copy of the constitution in his Embassy, I would endeavor to obtain the text. After some general discussion of this country's longstanding cultural interest in and ties with China and an exchange of the usual amenities during which Dr. Kan expressed his thanks, he departed.

(A copy of the Executive Order No. 4268, July 16, 1925,²⁴ together with a copy of the text of the constitution of the Board²⁵ as taken from the *China Year Book* of 1931-1932 is attached; copies of both documents have been sent to Dr. Kan.)

GEORGE ATCHESON, JR.

²⁴ *Foreign Relations*, 1925, vol. I, p. 935.

²⁵ Not reprinted.

DISCUSSION OF NEGOTIATION OF COMPREHENSIVE
COMMERCIAL TREATY BETWEEN THE UNITED STATES
AND CHINA

793.003/1142

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

[WASHINGTON,] February 26, 1943.

During the course of a call Dr. Soong¹ and I exchanged a few remarks in regard to the negotiation of the treaty between the United States and China relating to extraterritoriality.^{1a} In this connection Dr. Soong observed that he thought it would be well to begin work on a comprehensive treaty between the two countries, as negotiation of such treaty would require a good deal of time. He observed, further, that we might furnish them copies of a number of our recent standard comprehensive treaties.² He indicated that there was definite advantage in following the standard form of our modern treaties.

Comment:

Dr. Soong's observations, as recorded above, were of a somewhat casual nature. I did not enter into discussion of the subject with him. I do not regard his observations as constituting definite approach to the Department with suggestion that we undertake now discussions with China relating to negotiation of a comprehensive, modern treaty as provided for in Article VII in the treaty on extraterritoriality. I do regard his observations, however, as rather clear indication that we may expect an approach from the Chinese Government in the matter in the reasonably near future.

It is believed that the Department should give prompt consideration to the question of what attitude it is most advisable for this Government to take, both in reference to the substance of any such treaty and to the question of procedure, if and when the Chinese approach the Department.

M[AXWELL] M. H[AMILTON]

¹ T. V. Soong, Chinese Minister for Foreign Affairs.

^{1a} See bracketed note, p. 690.

² On March 10, the Adviser on Political Relations (Hornbeck) gave Dr. Soong a collection of modern American treaties of commerce; see Mr. Hornbeck's memorandum of conversation, p. 769.

611.9331/256

*The Department of State to the British Embassy*³

ORAL

Reference the informal and oral inquiry by the British Embassy with regard to the Department's attitude toward entering into negotiations for the conclusion of a treaty of commerce with China.

Shortly after his return to Washington from China some two months ago, the Chinese Minister for Foreign Affairs, Dr. T. V. Soong, when calling upon officers of the Department, stated that he thought it would be well to begin work on a comprehensive treaty of commerce between the United States and China such as is envisaged in the recently concluded treaty on extraterritoriality. Dr. Soong intimated that he thought that the negotiation of such a treaty would require a good deal of time. He requested that he be furnished with copies of several of the more recent commercial treaties concluded by this Government with other Governments.

Article VII of the extraterritoriality treaty between the United States and China provides that "upon the request of either Government" the American and the Chinese Governments will "enter into negotiations for the conclusion of a comprehensive modern treaty of friendship, commerce, navigation and consular rights".

Accordingly, in commenting in reply to Dr. Soong's observations, an officer of the Department stated that he was sure that there would be a general willingness here to proceed in the direction of a negotiation of a new treaty of commerce; that there would in all probability be required a considerable period for study and preparation, both by the Chinese and by us; and that there would doubtless be a period of conversations and comparing of notes, together with observation of current political and economic developments before the stage would be reached at which formal negotiations might to advantage be begun.

Copies of texts of treaties, as requested by Dr. Soong, were subsequently supplied to Dr. Soong.

We have assumed that the Chinese made a similar approach to the British Government; and shall be glad to exchange information and views with the British Government as further developments occur.

³ Handed on May 6 to the First Secretary of the British Embassy (Hayter) and the Commercial Secretary of the British Embassy (Jopson).

611.9331/256

*Memorandum of Conversation, by Mr. Woodbury Willoughby of the
Division of Commercial Policy and Agreements*

[WASHINGTON,] May 7, 1943.

Participants: Mr. W. G. Hayter, First Secretary, British Embassy
Mr. R. Keith Jopson, Commercial Secretary, British
Embassy
Mr. Hornbeck, PA/H
Mr. Hamilton, FE
Mr. Willoughby, TA

On April 22 and again on May 3 Mr. Jopson, speaking informally over the phone to Mr. Hawkins (TA),⁴ inquired whether the United States was disposed to negotiate, at the present time, a new commercial treaty with China. He indicated that the British Government would not view favorably a proposal by the Chinese Government to open negotiations at the present time and hoped that the United States concurred in this view. Mr. Jopson's inquiry was discussed with Mr. Hornbeck and Mr. Hamilton and arrangements were made for Mr. Jopson and Mr. Hayter to call at the Department on May 6 to discuss the matter.

Mr. Jopson opened the conversation by explaining that Dr. T. V. Soong, before leaving Chungking last February, had mentioned to the British Ambassador there the possibility of beginning work on a Treaty of Commerce between China and Great Britain and that the subject had been brought up in such a way that the Ambassador interpreted it not as a formal proposal but as a feeler designed to ascertain the attitude of the British Government. Mr. Jopson and Mr. Hayter explained that their Government questioned the advisability of beginning negotiations because the future, especially the post-war settlement, was so uncertain. They raised a question as to whether a commercial treaty negotiated in the near future might not later be found to conflict with the operation of some international organization set up under the auspices of the United Nations as, for example, an organization designed to promote international currency stabilization. They suggested that some conflict might develop with arrangements implementing the Atlantic Charter⁵ and United Nations Declaration⁶ and Article VII of the Lend-Lease Agreements.⁷

⁴ Harry Hawkins, Chief of the Division of Commercial Policy and Agreements.

⁵ Joint declaration by President Roosevelt and British Prime Minister Churchill, August 14, 1941; Department of State *Bulletin*, August 16, 1941, p. 125, or 55 Stat. 1603.

⁶ Signed January 1, 1942, Department of State Executive Agreement Series No. 236, or 55 Stat. 1600.

⁷ For text of agreement with China, signed at Washington, June 2, 1942, see 56 Stat. 1494.

Mr. Hamilton recounted the conversations, in so far as they related to the proposed treaty, between officers of the Department and Dr. Soong since his return from Chungking and a copy of the attached typed statement^a was handed to Mr. Jopson and Mr. Hayter. It was explained that the statement was informal and should be considered in no sense a communication to the British Government.

Mr. Jopson and Mr. Hayter were told that the Department feels that there might be considerable advantages to proceeding with the negotiation of a new commercial treaty before the end of the war; that the commercial provisions of any such treaty that we would negotiate would be general in nature and would be similar to the commercial provisions of analogous treaties with other countries; and that we do not perceive how the treaty would conflict with any United Nations organization or policies implementing the Atlantic Charter or Lend-Lease Agreements. It was pointed out that the preliminary work leading up to negotiations, as well as the negotiations themselves, could be expected to take a long time. It was, however, made clear that representatives of the Department have indicated to Dr. Soong a general willingness to proceed in the direction of the negotiation of a new treaty and that we do not expect to "stall" or otherwise delay unnecessarily conclusion of the proposed treaty.

W[OODBURY] W[ILLOUGHBY]

611.9331/257

The Commercial Secretary of the British Embassy (Jopson) to the Adviser on Political Relations (Hornbeck)

WASHINGTON, June 23, 1943.

DEAR MR. HORNBECK: On May 7th [6th] you were good enough to discuss with Mr. Hayter and myself your projected negotiations with China for the conclusion of a treaty of commerce. At that meeting you handed us an unofficial memorandum in which you stated that the State Department would be glad to exchange information and views with the British Government as further developments occurred.

We have now received a reply from the Foreign Office to the effect that they are grateful for this undertaking and glad to accept your suggestion.

The Foreign Office ask us to explain that as our treaty practice is adapted to our own needs and experience (as no doubt is that of the United States Government) it would probably be embarrassing to us both if negotiations which we eventually undertake were to be prejudiced by prior commitments of either one of us. In these circum-

^a *Supra.*

stances it is of importance that we may rely on the State Department to give us due notice of any significant developments and the Foreign Office will, of course, for their part, do likewise.

Yours sincerely,

R. KEITH JOPSON

611.9331/257

The Adviser on Political Relations (Hornbeck) to the Commercial Secretary of the British Embassy (Jopson)

[WASHINGTON,] July 5, 1943.

DEAR MR. JOPSON: I acknowledge receipt of your letter of June 23 regarding exchange of information in connection with questions of policy and action relating to conclusion with China of treaties of commerce.

It has been the understanding of officers of the Department who were parties to the conversation held on May 7 [6] that there was reached a consensus of opinion that the matters then discussed might most appropriately and to greatest advantage be dealt with informally. As was then indicated, we share with you the desire and hope that the British Government and the American Government will keep each other informed of any significant developments in relation to those matters. We are glad to have now the information given in your letter under acknowledgment. So far as this Government is concerned there have been since the moment of the discussion under reference no new developments.

Yours sincerely,

STANLEY K. HORNBECK

611.9331/267

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] November 2, 1943.

In the course of the informal conversations to which I was a party during my recent visit to London, officers of the Far Eastern Department of the BFO⁹ brought up the subject of negotiating (if and when) new commercial treaties with China. [See memoranda of conversations held here during the current year with T. V. Soong and with officers of the British Embassy on the same subject.]¹⁰

My British opposites expounded British official thought on the subject in the same terms in which that thought had been communicated to us here during recent months. I responded by explaining our

⁹ British Foreign Office.

¹⁰ Brackets appear in the original.

thought as it previously had been explained by us here to officers of the British Embassy. I mentioned our conversations with T. V. Soong. I explained that we have at no time considered it desirable to hold the Chinese at arms length on this subject; that we are prepared to discuss with the Chinese the possibilities and potentialities of a new treaty; that we make a distinction between "conversations" and "negotiations"; that we feel that either or both of these procedures would involve a protracted period of discussion, etc.; and that we see no reason to worry over the question of possible disadvantages which might accrue from dealing with this subject before the war is ended and peace settlements are concluded. I pointed out that there will probably be substantial differences at the outset between what we (and the British) would envisage as the desirable contents of a new commercial treaty and what the Chinese would envisage; that we feel that advantages would probably derive from comparing the differences and trying to bridge the gap while the war effort is still on; and that there need not necessarily be envisaged the final concluding of a treaty before or until shortly before or shortly after the concluding of some at least of the peace arrangements. I said, further, that during recent months the Chinese had made no mention whatever of this subject; that we had reason to believe that T. V. Soong was having the matter studied by their officialdom; and that I would not be surprised if when he returns from China he brings a draft. I said that our technicians are working on a draft and have made considerable progress with it. I added that I should not want to have it happen that the Chinese present us with a draft and we be not prepared at the same time and immediately to present them with a draft indicative of our thought on the subject. I said that I intended when I returned to Washington to ask our people to speed up our work on the draft. And, I gently hinted that it seemed to me that it might be to their advantage were the British to proceed along similar lines.

My British opposites commented that what I had said brought to their minds a number of points which had not theretofore occurred to them and that, generally speaking, it put the matter in a new light. Further, they said, they would carefully reconsider the subject in the light of this exchange of views.

S[TANLEY] K. H[ORNBECK]

PROTECTION OF AMERICAN LIVES AND PROPERTY IN
CHINA AND REPRESENTATIONS REGARDING BANDIT
ATTACK UPON A UNITED STATES ARMY CONVOY IN
YUNNAN

393.1163/1247

*Memorandum of Conversation, by the Counselor of Embassy in China
(Vincent)*¹

CHUNGKING, March 10, 1943.

Present: Dr. K. C. Wu, Acting Minister of Foreign Affairs
Ambassador Gauss
Mr. Vincent

In the course of a farewell call on Dr. Wu,* the Ambassador brought to Dr. Wu's attention the various cases of occupation of American property which had been and are still a cause of concern to the Embassy. Mr. Gauss said that he had taken the matter up with Dr. Soong² informally and he wished to bring the matter to Dr. Wu's attention in the hope that corrective action could be taken very soon. He mentioned five of the outstanding cases and handed Dr. Wu copy of an informal memo³ which Mr. Horace Smith, Secretary of the Embassy, had prepared on the subject. Mr. Gauss said that with the approaching relinquishment of extraterritoriality⁴ these cases of occupation occasioned him special concern and that he disliked returning home to have to report that nothing had been accomplished in response to the Embassy's representations. Mr. Vincent invited particular attention to the case of occupation by the China Transport Company of a building belonging to the Methodist Mission at Chungking. He said that the Embassy itself planned to lease this building and urged Dr. Wu to take steps to compel the CTC to remove by April 1 when the Embassy expected to occupy the building. Dr. Wu said that he would forward the matter to the Minister of Communications and would do what he could to have the building vacated about April 1.⁵

¹ Copy transmitted to the Department by the Counselor of Embassy in his despatch No. 1013, March 20; received April 16.

* On March 9, 1943. [Footnote in the original.]

² T. V. Soong, Chinese Minister for Foreign Affairs.

³ Not printed.

⁴ See bracketed note, p. 690.

⁵ This building was duly vacated and after renovation was occupied by the American Embassy.

Dr. Wu said that he would take measures to obtain the return of the various properties to the rightful owners. He remarked, humorously, that instructions had been issued to various provincial and district officials ordering that foreign property and personal interests should be given even greater protection and consideration upon the relinquishment of extraterritoriality than they had been given heretofore.

The Ambassador also mentioned to Dr. Wu the various restrictions that were placed upon Americans who desired to travel in China. He pointed out that an American, he understood, could not obtain authorization to travel in more than two provinces; that in order to obtain even this limited authority he must send his passport to the Embassy which in turn had to send it to the Foreign Office for the authorization and that there was also the matter of obtaining permits from local authorities to travel. He said that Chinese in America with valid visas could travel about without restriction. Dr. Wu said that China was at war. Mr. Gauss said that America was at war also. Dr. Wu said that the restrictions were placed upon the travel of foreigners for their own protection; that China had been at war for some six years; and that conditions were such as to make it necessary to keep some check on the movement of foreigners. He stated as his belief that Chinese travelers were subjected to greater restrictions than were foreigners and that particular efforts were made to facilitate the movement of Americans. In conclusion Dr. Wu said however that he would give his attention, as the Ambassador had requested, to finding some means of simplifying and making less troublesome restrictions on travel.

In connection with the matter of travel, the Ambassador also mentioned the surveillance to which Americans were subjected by local police, gendarmes, and other Government agents. Their private affairs were pried into and they were continuously being asked to furnish information largely of a personal character. He said that such methods in China made a very bad impression on foreigners. Dr. Wu said he regretted this and would give the matter his attention.

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

393.1123/45

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

No. 1135

CHUNGKING, May 3, 1943.

[Received May 23.]

SIR: I have the honor to inform the Department that the Embassy has received a report of an incident which occurred on April 4, 1943 in which Mr. Arthur Mazat and Mr. Francis Derk, American citizens of the Seventh Day Adventist Mission, Lanchow, and the Christian

and Missionary Alliance, Wenchow, respectively, who are currently registered with the Consulate General in Kunming, were attacked by bandits at Lo Chia Mo, near Feng Shui Lin, on the highway between Minhsien and Lintao, south of Lanchow. Mr. Mazat and Mr. Derk were taken from their automobile and after being maltreated and robbed were detained overnight. The next day they were partially recompensed for their losses and were released; it does not appear that they suffered any serious or permanent bodily harm.

There are herewith enclosed for the Department's information copies of (1) Mr. Mazat's letter reporting the incident, dated April 22, 1943,⁶ and received by the Embassy April 28, 1943, (2) the Embassy's note to the Foreign Office requesting an investigation of the attack, dated May 1, 1943, and (3) the Embassy's letter of acknowledgment to Mr. Mazat, dated May 1, 1943.⁶ Upon hearing of the results of the Foreign Office's investigation the Department will be further advised.

Respectfully yours,

JOHN CARTER VINCENT

[Enclosure]

The American Embassy to the Chinese Ministry for Foreign Affairs

The American Embassy presents its compliments to the Ministry of Foreign Affairs and has the honor to inform the Ministry that it has received a letter dated April 22, 1943 from Arthur Mazat, an American citizen residing at the Seventh Day Adventist Mission, Lanchow, Kansu, which reports the following incident:

On April 4, 1943 Mr. Mazat, together with Mr. Francis Derk, also an American citizen, were attacked by armed bandits at Lo Chia Mo, near Feng Shui Lin, on the highway between Minhsien and Lintao, south of Lanchow. The automobile in which they were proceeding was fired upon and then stopped by a group of bandits numbering over a thousand. Mr. Mazat and Mr. Derk were taken from the automobile, were bound, and their clothes were torn. They were threatened with decapitation, were beaten, and then menaced with guns. Finally they were robbed and the windows of their automobile were broken. The men were detained overnight and on April 5, 1943 were released and allowed to proceed after being given an amount of money equivalent to only a small portion of the value of the personal possessions taken from them. The military commander at Lintao

⁶ Not printed.

was informed of the incident, upon their arrival at that place, and he facilitated their return to Lanchow.

Mr. Mazat states that before making the trip the advice and the approval of government officials at Minhsien had been obtained. Upon the recommendation of those officials the trip had been postponed for ten days and at the time of their departure assurances had been given that the highway was patrolled by soldiers for its entire length and was safe for travel. One of the bandit leaders is believed to have been a former government official at Minhsien named Li. Another of the leaders is believed to have been called Fu Shih Ling.

The Ministry is requested to investigate this matter and to secure the apprehension of guilty parties and to obtain restitution of the property stolen from Mr. Mazat and Mr. Derk and compensation for the damages they have suffered.

The Embassy would appreciate being informed of the results of the Ministry's action.

CHUNGKING, May 1, 1943.

393.1123/46

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

No. 1324

CHUNGKING, July 6, 1943.

[Received July 24.]

SIR: Reference is made to the Embassy's despatch No. 1135 of May 3, 1943 in regard to an attack by bandits on two American citizens in Kansu Province with which was enclosed a copy of the Embassy's note to the Foreign Office dated May 1, 1943 on this subject. The Embassy has now received a reply from the Foreign Office dated June 24, 1943, a translation of which is enclosed.⁷

It will be noted that in its reply the Foreign Office states that the bandits have been attacked by Chinese troops and that when their leaders are captured they will be punished according to law but that it would be impossible to recover the articles of which the two Americans were robbed. In a further note to the Foreign Office of today's date, a copy of which is enclosed,⁷ the Embassy requests that, notwithstanding the difficulties involved, efforts be made to recover as many as possible of the articles taken and the Embassy be notified when the principal culprits have been arrested.

Respectfully yours,

GEORGE ATCHESON, JR.

⁷ Not printed.

893.00/15151 : Telegram

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

CHUNGKING, October 21, 1943—1 p. m.

[Received 2:48 p. m.]

1993. Consul [at] Kunming⁹ reports that American military convoy proceeding from Kunming to Wenshan on morning October 16 attacked by 15 to 20 Chinese bandits; some wearing uniform of local militia, at point some 15 kilometers southeast of Iliang. Bandits were engaged in looting several Chinese civilian trucks and blocked road caused American convoy to halt. Bandits demanded surrender of American arms and opened fire inflicting casualties. Fire was returned and in ensuing exchange five American officers seriously wounded, two bandits known killed and three wounded. Area in which attack occurred is under Provincial Government control. Ludden says banditry on border of Ilianghsien and Lunanhsien has been rife for some time and no effective action has been taken by local magistrates to halt it. He states present incident is one of several all less serious which have occurred during past few months in areas under Provincial Government control southeast of Kunming.

Ludden has made representations to Provincial Government through special delegate [of] Foreign Affairs. He states that he is "demanding" that incident be reported personally to Governor with a "demand" for immediate investigation and report, apprehension of culprits, establishment of responsibility of local officials, adequate punishments, apologies from responsible officials, adequate assurances against such occurrences in the future and that he is reserving right to make further "demands" if deemed necessary by higher American authorities. Ludden's communication was supported by written protest of Chief of Staff, American Forces, Kunming.

Embassy is telegraphing Ludden that he should keep Embassy fully and promptly informed, that his action in bringing incident promptly to attention of Provincial Government for full investigation and effective measures for apprehension of bandits is approved, but that he should make no "demands" unless and until so instructed and that there should be no publicity.

I am bringing matter orally to serious attention of Foreign Minister. There has been no publicity here.

GAUSS

⁹ Raymond P. Ludden.

893.00/15153 : Telegram

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

CHUNGKING, October 22, 1943—3 p. m.

[Received October 22—1 : 25 p. m.]

2006. Embassy's 1993, October 21. I called on Soong this morning by appointment, informed him of the incident (he said he had not previously heard of it) left with him a factual statement marked "oral" based on Kunming's report and said that I had reported to the Department that I would bring the matter orally to his earnest attention. I said I felt confident I had only to bring this matter to his attention to be certain that it would receive earnest attention by Chinese Government and prompt and effective measures and that I believed it to be one which the Generalissimo¹⁰ would wish brought to his personal attention.

Soong said he would bring matter to attention of Government without delay and to Generalissimo as soon as possible and that I could be assured prompt action would be taken.

GAUSS

893.00/15155 : Telegram

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

CHUNGKING, October 27, 1943—4 p. m.

[Received 4 : 08 p. m.]

2026. My 2006, October 22, 3 p. m. regarding bandit attack on Army motor convoy in Yunnan. Foreign Office tells me incident was reported to Generalissimo and that National Government has issued strong instructions. Consul [at] Kunming reports matter was brought to personal attention of Chairman Lung Yun of Provincial Government who has charged the magistrates concerned to deal with the situation under supervision of a provincial commissioner. Ludden has suggested that on the one hand it would not be difficult to obtain punishment of the magistrates by dismissal but on the other hand the situation may be used by General Chen Cheng, National Government Commander, to strengthen his position vis-à-vis Provincial Government. I believe we should avoid being responsible for any such friction if possible and should leave matter as it stands without further pressure until sufficient time has elapsed to disclose whether authorities are taking effective action to deal with situation.

GAUSS

¹⁰ Chiang Kai-shek, President of the Chinese National Government.

893.00/15184

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

No. 1765

CHUNGKING, November 3, 1943.

[Received November 17.]

SIR: With reference to my telegram no. 2026 of October 27, 4 p. m., and previous telegrams, regarding the attack by Chinese bandits on an American Army motor convoy near Iliang, Yunnan, and the wounding of several U.S. Army officers, I have the honor to enclose copy of despatch no. 135 of October 29th, from the Consul at Kunming, Yunnan, to the Embassy, and a copy of the Embassy's instruction of this date to the Consul.¹¹

Following the receipt at Chungking of the Consul's telegraphic report on this incident, I called on Dr. T. V. Soong, the Minister for Foreign Affairs, and brought the matter to his serious attention, at the same time suggesting that it should be reported to Generalissimo Chiang Kai-shek. I have since been informed orally from the Foreign Minister that the incident was reported to Generalissimo Chiang and that strong instructions regarding the matter were issued by the National Government to the Yunnan authorities.

I have instructed the Consul at Kunming to continue to follow this case with the Yunnan provincial government and if information is not soon forthcoming on the investigation and action ordered by Chairman Lung Yun, that he should press firmly but courteously for such information as at the instance and under instructions of the Embassy, for report to the American Government.

Respectfully yours,

C. E. GAUSS

[Enclosure]

*The Consul at Kunming (Ludden) to the Ambassador in China
(Gauss)*

No. 135

KUNMING, October 29, 1943.

SIR: I have the honor to refer to my telegrams to the Embassy no. 32, October 18, 2 p. m. and no. 35, October 23, 1 p. m.¹² and to enclose for the information of the Embassy a copy of my note addressed to the Special Delegate of the Ministry of Foreign Affairs at Kunming dated October 19, 1943 and his reply thereto dated October 25, 1943.¹³

It is believed that the essential details of the incident are adequately set forth in the enclosures to this despatch. The wounded American personnel are still in hospital, but with the exception of Major

¹¹ Latter not printed.¹² Neither found in Department files.¹³ Neither printed.

Pennoyer of the Army Medical Corps, whose upper right arm was badly shattered by gunshot, the wounds are not as serious as was thought at first.

There is no question but that the attack came as a complete surprise to the Americans who had offered no provocation. The American party, in charge of Colonel Hutchinson, was composed of additional officers, men, and Chinese interpreters en route to join an American liaison and instructional group already attached to the Chinese Ninth Army Group at Wenshan. The American convoy of three trucks was halted by the obstruction of the road by three Chinese civilian operated trucks. Colonel Hutchinson, in charge of the American party, dismounted with the intention of offering assistance in clearing the road, but it became apparent immediately that the Chinese trucks were in the process of being bandited by a group of armed Chinese. Several of the Chinese approached the American trucks and demanded the surrender of firearms and simultaneously opened fire, wounding Colonel Hutchinson, who, as he fell, killed his immediate assailant and wounded another of the bandits. The fight then became general. After approximately twenty minutes the bandits were driven off and the Americans withdrew to Iliang with two trucks, one having been disabled by gunfire.

The incident first came to my attention on the afternoon of October 16th, but full details were not available until after the completion of an American Army investigation carried out on October 17th. On October 18th I called on the Special Delegate of the Ministry of Foreign Affairs, acquainted him with the details of the incident and the findings of the American investigation, and insisted that the Provincial Chairman be informed immediately. The Special Delegate was in touch with Lung Yun shortly thereafter by telephone and my official note and Colonel Dorn's letter, a copy of which is also enclosed,¹⁴ were delivered to the Chairman by the office of the Special Delegate on the following day. The Special Delegate conferred with Lung Yun on the evening of October 20th and on October 21st called on me to acquaint me with the result of his conference with the Chairman.

According to the Special Delegate the Chairman was deeply concerned over the incident and had taken immediate steps to effect the apprehension of the bandits and had sent a representative to the Post Hospital to make inquiry as to the condition of the wounded American officers. The Special Delegate stated that the magistrates of Iliang and Lunan had been severely reprimanded and had been made responsible for an investigation of the affair and the apprehension of the bandits, but according to Lung Yun's instructions, their efforts

¹⁴ Not printed.

in this connection were under the personal supervision of the Commissioner of People's Affairs, Li Pei-t'ien. The Special Delegate considered this latter step as being unusual and a reflection of the concern of the Chairman. The Special Delegate was of the opinion that the magistrates concerned were being continued in office in order that they could not avoid responsibility by resignation and he is convinced that they will be punished in due course, the weight of punishment to be contingent upon the effectiveness of their actions in apprehending the culprits in the present incident.

Immediately following its occurrence, the incident was reported to General Stilwell¹⁵ and to General Ch'en Ch'eng, commander-in-chief of the Chinese Expeditionary Force, by Colonel Frank Dorn, deputy chief of staff USAFCBI. Colonel Dorn was informed almost immediately by the headquarters of General Ch'en that, inasmuch as the incident had occurred in an area under the control of the Provincial Government, there was nothing that the Expeditionary Force could do and it was suggested orally by officers of General Ch'en's staff that strong action be taken against the Provincial Government.

It seemed to me to be apparent that Central Government officials here, including General Ch'en, although regretting the wounding of American personnel by a lawless Chinese element, were not averse to taking advantage of the situation and any American pressure resulting therefrom, further to undermine the position of Lung Yun in Yunnan. Needless to say, Colonel Dorn was justifiably incensed at the occurrence and in the beginning was prepared to reveal the story to American newspapermen here and offer them facilities for its transmission abroad. I suggested to him that the threat of publicity was an effective instrument in dealing with the case and it was agreed between us that for the time being, at least, no publicity would be given the affair by Branch Headquarters. Since then Colonel Dorn has been acquainted with the contents of the Embassy's telegram no. 57, October 21, 5 p. m.¹⁶ and I believe that General Stilwell has disapproved Colonel Dorn's suggestion of publicity pending final action on the case. In this connection the Embassy will please find enclosed a paraphrase of a message received at Branch Headquarters on October 26th from New Delhi.¹⁷

As pointed out in my telegram no. 35, October 23, 1 p. m., the effect of the incident on American military personnel here has been serious. There has been prevalent for some time among American officers and enlisted men a feeling that the Chinese, especially the Yunnanese, have been doing little, if anything, to assist the war effort

¹⁵ Gen. Joseph W. Stilwell, Commanding General, United States Army Forces in China, Burma, and India.

¹⁶ Not found in Department files.

¹⁷ Not printed.

and the attack on an American convoy, regardless of the fact that it was unpremeditated, has given rise to an unfortunate, but understandable, attitude of shoot-first-talk-afterwards.

As time goes on and offensive preparations develop, American liaison groups will be stationed at a variety of places in the province. Five groups are already in the field and additional personnel proceeding to reenforce these and the establishment of new groups will result in a considerable and almost constant movement of American ground force personnel. The movement of such personnel will be in accord with the exigencies of the military situation or to meet the requests of Chinese commanders in the field and the American military authorities deem it impracticable to notify the Provincial authorities of such movements in advance. They also feel that inasmuch as the liaison and instructional program has the approval of the highest Central Government military authorities there is no reason to notify local authorities of individual movements which are a part of the program as a whole. I have informed the Special Delegate orally of the attitude of the American military authorities in this respect and at the same time informed him that I would expect to receive a report of the Provincial Government's investigation of the incident and the results of any steps taken to apprehend the bandits. I have also intimated to the Special Delegate that the public announcement of drastic disciplinary action against the two magistrates involved might well have a salutary effect upon other local officials in whose domains there was a tendency toward laxity in the maintenance of peace and order and would at the same time have the effect of helping to convince American personnel that the incident was an isolated one and not necessarily representative of a common state of affairs against which elaborate defensive measures would be necessary and in the course of which nervous trigger fingers could easily lead to future unpleasantness.

I will take no further action unless so instructed by the Embassy.

Respectfully yours,

RAYMOND P. LUDDEN

893.00/15192 : Telegram

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

CHUNGKING, December 4, 1943—4 p. m.

[Received 5:27 p. m.]

2325. In Kunming's airgram A-6, December 1¹⁸ monthly political review, appears a statement that the trial of the bandits who attacked the convoy is drawing to a close and that the provincial chairman has

¹⁸ Not found in Department files.

promised that summary punishment will be meted out to the bandits and the delinquent magistrates (Embassy's despatch 1765, November 3). This is the first information received by Embassy indicating that any of the bandits had been apprehended or that any forthright action was being taken in the matter. We are asking Kunming for a full report and will expect to telegraph the Department further in due course.

GAUSS

893.00/15212 : Telegram

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

CHUNGKING, December 28, 1943—9 a. m.

[Received 9:45 a. m.]

2494. Reference previous concerning bandit attack on American convoy. Following is Kunming's 50, December 25, 11 a. m.:

"Letter dated December 24 received from Special Delegate to the following effect: Although the two bandits captured have been found guilty and have been sentenced to be shot, the Provincial Government has ordered the discharge of the Lunan magistrate for failure to destroy the remainder within a given time limit; the newly appointed magistrate has been instructed to order his militia to search out and exterminate the remaining bandits from time to time to establish patrols on the highways. Complete text in translation follows by mail."

GAUSS

OPENING OF NEW AMERICAN DIPLOMATIC AND
CONSULAR POSTS IN CHINA ¹

893.00/14930 : Telegram

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

[Extract]

CHUNGKING, February 8, 1943—1 p. m.

[Received February 10—7:18 p. m.]

208. An experienced American journalist, recently returned from a several weeks' trip to South China, in the course of which he made stops at Kweilin, Changsha, Hengyang, and Kukong,² has made the following observations to the Embassy in confidence: (1) Both American missionaries and Chinese commented on the absence of American representation and activity in the area, indicated the fact that the British were relatively quite active. At Kweilin the British have four or five men, including a consular officer and a military mission. At Changsha, the British Red Cross have opened a hospital which now has about 100 patients and will eventually accommodate 150 when full equipment arrives. Only charity cases are accepted. Seven British doctors and 14 nurses with China experience are on the staff. At Kukong there are among other[s], a British naval observer, a Secretary of the British Embassy, and a British officer of the Chinese Customs. Observer commented that these British representatives were working to recover lost British prestige; that they were not, however, being conspicuously successful; but that a greater evidence of American activity in the area would serve a useful purpose.

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GAUSS

893.00/14930 : Telegram

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

WASHINGTON, March 5, 1943—8 p. m.

301. Your 208, February 8, 1 p. m. In the light of the information contained in your reference telegram, the Department would

¹ Continued from *Foreign Relations*, 1942, China, pp. 683-696.

² Chuchiang, Shaokwan, or Shiuchow, on the Canton-Hankow Railway.

appreciate receiving your opinion as to the advisability, when personnel is available in China, of assigning two Chinese language officers to the new Consulate at Kweilin, one officer to remain at Kweilin and the other to be available for frequent visits to Kukong, Hengyang, Changsha, Nanning, and perhaps other points in that general area. In this connection, consideration might be given to the question of stationing one officer more or less permanently at Kukong, provisional capital of Kwangtung Province, and reportedly a good listening post for the general Canton-Hong Kong area.

It is suggested that you discuss with the military and naval attachés, as well as with General Stilwell,³ the question of having military and naval observers stationed in or of their making periodic visits to the south China area.

The Department believes that it would be generally advantageous that we maintain adequate official representation in the general area in question. Furthermore, it would of course be most useful to have reliable and current reports on developments in that part of China from which hitherto but little information has been forthcoming.

WELLES

893.00/14964 : Telegram

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

CHUNGKING, March 16, 1943—9 a. m.

[Received 12:03 p. m.]

372. The matter raised in Department's 301, March 5, 8 p. m., has been discussed with the Military and Naval Attachés who are both desirous of increasing Embassy's contact with South China area. Military Attaché is sending one of his assistants on a trip to Yunnan-Indochina border from whence he will travel to Kweilin and Kukong for general observation of conditions in the area. Naval Attaché plans to send to Kukong an assistant who will if practicable travel up to Foochow. He expects to keep one officer more or less continuously in the coastal area.

General Stilwell is not in Chungking. I shall discuss the matter with him soon but am sure that he will welcome increased Embassy representation in the area.

It has been Embassy's intention to assign two officers to Kweilin with instructions that one of them should spend most of his time traveling in the area. A language officer and Richard Service⁴ would be a good combination.

³ Gen. Joseph W. Stilwell, Commanding General, United States Army Forces in China, Burma, and India.

⁴ Vice Consul at Kunming.

With regard to officers in the northwest it may develop that inasmuch as the work within the cities where they are detailed in [is] not exacting or voluminous one officer might divide his time between Chengtu and Sian, traveling also to adjacent areas, and the consular officer at Tihua might make periodic trips to Lanchow. This arrangement suggests itself because of delayed arrival of officers assigned here. I plan to send Clubb⁵ on to Tihua soon and I may send Drumright⁶ on to Sian for a period.

On its staff in Chungking the Embassy needs two more officers experienced in China, preferably with language training, in order to function effectively (Commercial and Agricultural Attachés and staffs are excluded from this calculation). When these officers now on assignment assume their duties this need and needs in outlying places will be met and it is hoped therefore that the Department will be able to arrange for their early arrival and arrival also of a Consul General for Kunming.

VINCENT

125.0061/270: Telegram

The Chargé in the Soviet Union (Dooman) to the Secretary of State

Moscow, April 1, 1943—noon.

[Received 3:28 p. m.]

227. The following telegram has been received from Kuibyshev and repeated to Chungking.

156, March 29, 4 p. m. If you approve please forward to Department (and repeat to Chungking) as Kuibyshev's 282, March 29, 6 p. m.

"Kuibyshev's 287, March 26, 8 p. m. In conversation yesterday Mr. Wu,⁷ representative at Urumchi of the Chinese Foreign Office, who accompanied to Moscow the new Chinese Ambassador⁸ and who is returning today to his post, replied in terms of unqualified assent to my query whether it would be of advantage to the United States to assign to the Consulate at Urumchi a subordinate officer with knowledge of Russian. Mr. Wu added that it would be most helpful to the Chinese Government if our Government could see its way clear to stationing at Urumchi officer well grounded in agriculture and mining technology. The Chinese Ambassador made some interesting observations which he requested that I communicate orally to the Secretary upon my return to Washington."

DOOMAN

⁵ O. Edmund Clubb, Second Secretary of Embassy in China on detail at Lanchow.

⁶ Everett F. Drumright, Second Secretary of Embassy in China and Consul at Kunming.

⁷ Chaucer H. Wu.

⁸ Foo Ping-sheung.

125.385/29: Telegram

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

CHUNGKING, July 21, 1943—10 a. m.

[Received July 22—12:35 p. m.]

1241. The Embassy has received a letter dated June 16, 1943 (a duplicate of which addressed to the Secretary is being forwarded by pouch) from a committee representing American residents of the Foochow district urgently requesting that the Consulate be reopened there or at Nanping or some other inland point. The writers point out that there are 90 Americans residing in the district plus a number in the adjacent Amoy district who could be served by the office; that the Foochow British Consulate is still being maintained; that the new situations arising from the abolition of extraterritoriality make[s] the advice and assistance of a consular officer most important; and that communications with the rest of Free China are very poor (they state for example that to make application for a passport and to receive a new one takes about 3 months).

Among others the following considerations also occur to us: (1) Foochow, as the only important Chinese port still in the hands of the Chinese, is a center of information which should tend to increase in importance as times goes on; (2) the Naval Attaché hopes to station an observer there and it is probable that there will be other American or Allied military and civilian activity in that area in future; (3) the Department is now maintaining furnished quarters and office equipment at Foochow; and (4) the city is far enough from the sea so that an officer stationed there would in all probability have ample time to evacuate in case of Jap landing.

We accordingly recommend that the Consulate be reopened and suggest that a China Service officer now serving outside China be assigned there and that decision whether the Consulate should function in Foochow itself or at some nearby place be withheld pending the officer's arrival and making of recommendations in the premises.

We suggest that if this proposal is approved, the Department select for the assignment from the China officers now serving in other foreign countries one who has not previously been stationed in Foochow and who may possibly come to Free China with a fresh point of view. Alternatively, an additional officer might be assigned to the Embassy, thus enabling the post to be filled by detail of an officer from here.

ATCHESON

125.385/29 : Telegram

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

WASHINGTON, July 31, 1943—11 p. m.

1003. Regret not practicable to reopen Consulate at or near Foochow now. Please so inform committee mentioned your 1241 of July 21.

HULL

CULTURAL RELATIONS PROGRAM OF THE DEPARTMENT
OF STATE TO PROVIDE TECHNICAL ASSISTANCE TO
CHINA AND TO FACILITATE GREATER CULTURAL CO-
OPERATION BETWEEN THE UNITED STATES AND
CHINA ¹

893.64A/18 : Telegram

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

CHUNGKING, February 1, 1943—3 p. m.

[Received February 1—1:07 p. m.]

180. For Cultural Relations. Ministry of Foreign Affairs requests on basis of American cultural relations program that an additional expert be sent out for service with the Ministry of Agriculture and Forestry with the following qualifications:

An engineer with civil engineering training who has had experience in erosion control of large gullies in farm drainage, in individual farm irrigation measures, in spreading storm waters over grasslands to increase pasturage and similar works of erosion control, and soil and moisture conservation. Such a specialist should arrive in Chungking by March 15, 1943 so as to be ready to go to Lanchow on April 1. If the services of Mr. Willis Barrett of the Soil Conservation Service are available, the Ministry of Agriculture and Forestry would welcome him to work in this capacity.²

GAUSS

811.42793/990 : Telegram

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

WASHINGTON, February 23, 1943—2 p. m.

264. Embassy's Despatch 490, June 29, 1942.³ On December 28 Hollington Tong⁴ inquired whether the Department could send to China under cultural relations program five experts for the Ministry of Information in addition to the two mentioned in reference despatch.

¹ Continued from *Foreign Relations*, 1942, China, pp. 697-727.

² Willis C. Barrett, hydraulic engineering specialist, arrived in Chungking on June 18 to begin work with the Chinese National Conservancy Commission.

³ *Foreign Relations*, 1942, China, p. 711.

⁴ Chinese Vice Minister of Information.

New requests were for three journalism professors to teach in a school to be established at Chungking by the Ministry; one feature writer to travel about China gathering materials for use by foreign correspondents, and to train about ten Chinese feature writers; and one radio commentator who would advise the Ministry on materials to be broadcast.

On the basis of information available the Department was doubtful whether the last two are of sufficient immediate value to justify the expense, but considered the supplying of journalism teachers to be an outstanding opportunity for service. Funds are available for the three teachers.

Tong was informed it would be necessary for the Department to receive a formal invitation through the Foreign Office. He informed the Department that he cabled December 30 regarding the new requests and stating that the Generalissimo⁵ desired Tong to establish a new journalism school. A reply December 31 from Tseng Hsu-pai⁶ appeared to indicate that T. F. Tsiang⁷ was following the usual procedure on these requests and that Tsiang believed there was no question but that confirmation would be forthcoming if the State Department were willing to finance the added experts.

Tong assumed Tsiang would act upon information already sent. Chinese officials here have received over fifty applications for the three possible openings.

At your discretion please consult appropriate officials regarding formal confirmation of request for the professors.

HULL

893.01811/137

*Memorandum of Conversation, by Mr. Edwin F. Stanton of the Division of Far Eastern Affairs*⁸

[WASHINGTON,] March 1, 1943.

On February 17, 1943 Mr. Yulin Hsi called on Mr. Hamilton and presented a letter of introduction from Ambassador Gauss. The Ambassador stated that Mr. Hsi, who for seven years was one of the Chinese members of the Shanghai Municipal Council, was proceeding to the United States on behalf of the Chinese Government to study municipal administration. Mr. Hamilton told Mr. Hsi that he would be happy to assist him in any way possible and Mr. Hamilton offered

⁵ Chiang Kai-shek, President of the Chinese Executive Yuan (Premier).

⁶ Director, International Department, Chinese Ministry of Information.

⁷ Director, Political Affairs Department, Chinese Executive Yuan.

⁸ Initialed by the Chief of the Division (Hamilton).

a number of suggestions as to persons who might give helpful suggestions.

Subsequently, Mr. Hsi, who had been introduced to Mr. Stanton by Mr. Hamilton, informed Mr. Stanton that he was a member of the National Defense Council of the National Government and that he had been "instructed by the Generalissimo" to proceed to the United States to make a detailed study of municipal administration in this country. Mr. Hsi said he planned to remain in Washington for two weeks and then to visit New York and other important cities in this country. He said he anticipated that this itinerary would take about three months and that he would then return to Washington to organize the material which he had acquired and would probably return to Chungking in about six months time. However, in this connection he added that Dr. T. V. Soong⁹ had told him when he called on him last Friday, February 26, that Dr. Soong thought Mr. Hsi should remain in the United States for a longer period in order to make a complete and exhaustive study of municipal administration.

According to Mr. Hsi, his first week in Washington was spent in the Library of Congress where he consulted books and publications of municipal administration and numerous reports from various municipalities in this country. Mr. Stanton arranged for Mr. Hsi to call on the commissioners of the District of Columbia Government and Mr. Hsi spent an entire week with the commissioners and the heads of various departments. He stated that he had learned much from his pleasant contacts with these officials.

It was gathered during the course of the conversation with Mr. Hsi that, upon his return to Chungking, he expects to have considerable to do with the drawing up of a new Municipal Charter for the city of Shanghai. Mr. Hsi is also interested in the problem of price control and hopes to have time to make at least a limited study of our price control measures in as much as the Generalissimo asked him to look into this matter while he was in this country.

811.42793/1040 : Telegram

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

CHUNGKING, March 21, 1943—9 a. m.

[Received 10:50 a. m.]

416. Embassy has learned from authoritative source that in order to provide more effective representation in Washington Chinese Foreign Office has selected following six Chinese intellectuals to proceed to

⁹ Chinese Minister for Foreign Affairs.

Washington March 27: Li Choh-min, graduate of Stanford and acting research director of Nankai Institute, contributor to leading Chinese publications and member of post-war planning group headed by Wang Chung-hui;¹⁰ Wu Ching-chao, graduate of and former professor at Tsinghua, now editor *Hsin Ching Chi* and Chief Secretary of Ministry of Economic Affairs; Wu I-fang, president of Ginling College for women and close friend of Madame Chiang, highly regarded by all observers; Chen Chung-yuan, British University training in English literature, now at Wuhan University; Paul Kuei, Dean of Science at Wuhan University, American educated; Y. C. James Yen, American educated and leader of mass education movement.

These persons are said to have been chosen from list of more than 60 names prepared by Dr. T. V. Soong with view to contacts with American intellectual leaders at Washington.

Dr. John Fairbank¹¹ comments that this group well chosen for getting on with Americans since they are nearest approach to American ideals and temperament in Chinese scene; that none of group has "CC"¹² affiliations or is of importance politically; that with possible exception of Wu Ching-chao none has intimate knowledge of matters of important policy; and that all are pro-American and should be given all support possible in order to improve their position here.

Despatch follows.¹³

VINCENT

811.42793/1071: Telegram

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

WASHINGTON, March 31, 1943—8 p. m.

425. Embassy's telegram no. 416, March 21, 9 a. m. The Department awaits with interest the Embassy's despatch giving further details concerning the sending of six Chinese intellectuals. If the Embassy believes it would be expedient, the appropriate Chinese authorities might be informed that every effort will be made to make the residence in America of these distinguished persons profitable and pleasant.

In order to avoid possible misunderstanding, however, it would be desirable for the Embassy to bring to the attention of the Chinese authorities informally the fact that there is little likelihood of these

¹⁰ Former Chinese Minister for Foreign Affairs.

¹¹ Representative in China of the Interdepartmental Committee for the Acquisition of Foreign Publications, of the Library of Congress, and of the Office of Strategic Services.

¹² Chen brothers, Kuo-fu and Li-fu.

¹³ Despatch No. 1025, March 24, not printed.

individuals obtaining air passage for return to China and that all forms of transport in that direction are likely to be congested for a long time.

HULL

811.42793/1077 : Telegram

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

CHUNGKING, April 7, 1943—noon.

[Received April 7—11:13 a. m.]

506. Department's 264, February 23, 2 p. m. Embassy has received note dated April 3 from Foreign Office transmitting request from International Publicity Department of Ministry of Information for services of a feature writer and a radio commentator. Note states matter was discussed with Department by Vice Minister Hollington Tong now in United States and requests that Department be formally notified in order that Tong may take up matter prior to his departure from the United States.

VINCENT

811.42793/1097

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

No. 305

[WASHINGTON,] May 13, 1943.

The Secretary of State acknowledges the receipt of the Embassy's strictly confidential despatch No. 1025 of March 24, 1943,¹⁴ in regard to the designation by the Chinese Ministry of Foreign Affairs of an "intellectual group" to come to Washington. The comments in this despatch on the persons composing this delegation are of great interest to the Department. The group has arrived in the United States.

The Department has reason to suppose that one purpose behind the sending of these leading intellectuals to the United States is to promote contacts between them and leaders in various lines of activity in the United States, in order that the Chinese Government may obtain direct and reliable information concerning all shades of opinion in the United States with reference to questions in which China's interests are involved. Such questions would include, for example, participation by the United States in a system of international organization after the war. The apparent desire is to bring about personal contacts especially with American leaders who might be thought to be antagonistic to international collaboration, including collaboration

¹⁴ Not printed, but see telegram No. 416, March 21, 9 a. m., from the Chargé in China, p. 734.

with China. Whether the objective is merely one of acquiring accurate information concerning prevalent American views in regard to international affairs, or includes the influencing of such views in a way favorable to cooperation between the United States and China is uncertain at this time.

An offer was conveyed informally by an officer of the Department to Dr. T. V. Soong, before the arrival of the delegation to place at his disposal the good offices of the appropriate officers of the Department, to make the visit of these intellectuals pleasant and profitable. In particular, an offer was made to inform learned societies in the United States of the impending arrival of these persons, so that contacts could be readily established. However, Dr. Soong requested that no publicity be given to this project until the delegation had arrived and a preliminary survey has been made.

In the confidential conversation already referred to Dr. Soong was assured that the coming of these intellectual leaders to the United States could not but make a favorable impression and would be regarded as giving a desirable character of reciprocity to the program of cultural relations with China that had been initiated by this Government.

811.42793/1239a

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

No. 323

[WASHINGTON,] June 7, 1943.

The Secretary of State acknowledges the receipt of the Embassy's despatch no. 989, of March 9, 1943, transmitting a memorandum¹⁵ on the situation in China from the outbreak of the Pacific War. On page 10 of the memorandum is a recommendation that the Department give attention to a program of selecting Chinese young men with engineering and mechanical experience and of placing them in industrial establishments in the United States for training.

The Embassy is, of course, aware that large numbers of Chinese students are already in the United States, of whom many are now gaining practical experience in all kinds of capacities from apprentice mechanics to instructors in university faculties. There is a constant shifting of young people from academic study to remunerative work and to some extent in the reverse direction. There are also many dividing their time between study and earning their living, some being primarily students and others primarily workers. As a result the preparation of statistics is extremely difficult.

¹⁵ Neither printed.

In October, 1942, the China Institute in America published statistics of students receiving aid from the Department of State and from agencies represented by the Institute, as follows:

<i>Agency</i>	<i>Students Aided</i>
Department of State	158
Committee on Wartime Planning	114
Tsing Hua University:	
Full scholarships	17
Partial scholarships	16
	33
China Foundation	12
British Boxer Indemnity Board	15
	<hr/>
Total	332

Since these figures were published the number of students receiving grants from the Department of State has increased to 207.

As of November 30, 1942, the Institute had listed 1,037 Chinese students in the United States. The actual number having some claim to that classification is probably nearer 2,000. A directory of "Chinese University Graduates and Students in America, 1943" published by the Institute this spring contains 1,214 names. Of these 267 were reported as in training or employed. Probably the number of students employed is actually much larger. Recently there have been more openings for employment of engineering students than there were applicants for such posts.

It would appear, therefore, that quantitatively the American effort in preparing young Chinese to play a part in modern life is still very important. It is of special interest that there have been as many as fifteen British Indemnity students transferred to this country, because during the war they could not advantageously continue their studies in Britain.

In the Embassy's memorandum in reference there is mention of the British program for sending 81 Chinese technicians to Great Britain for training in industrial establishments and in the Embassy's despatch no. 1027 of March 24, 1943,¹⁶ reference is made to a group of 81 "Chinese students, professors, and apprentices" selected for training in England. However, the Chinese Information Committee Bulletin enclosed with the latter despatch states the number as 31 instead of 81. It would be of interest to know which of these figures is correct.

The Bulletin referred to goes on to describe how the expense of one fellowship and nine scholarships was divided between the British Government and the Chinese Ministry of Education.

¹⁶ Not printed.

In the case of grants made by the Department to Chinese students and professors, no attempt has been made to utilize credits already granted to China, nor to invite financial cooperation by the Chinese Government.

It seems possible that there would be some advantage in some such plan of joint contributions in the scholarship program as the British have inaugurated. However, it does not appear desirable to begin any such formal cooperation between the two Governments with respect to the students now in this country. The immediate need is for relief of students left stranded and the utilization of their time to the best advantage for their professional development. The financial burden is actually being divided between the Department of State and the Committee on Wartime Planning, a Chinese Government agency, both of which utilize to a greater or less extent the information and facilities of the China Institute in America and thus avoid serious overlapping.

It has been suggested that if and when the Department shall have funds available for the bringing of Chinese technical personnel to this country for further training the following method might be adopted:

1. Determine a few fields in which cooperation is proposed, such as agriculture, engineering or public health.

2. Send a representative of the Division to acquaint himself with the principal Chinese governmental institutions in the field or fields selected, with the leaders in those fields, and with the younger personnel.

3. Consult with the head of a selected institution as to whether there is on his staff some young man of exceptional promise who would profit by a period of study in the United States. Actually this might best be done after the representative of the Department had formed some opinion of his own as to the most promising candidate and could tactfully but unofficially influence the selection.

4. Arrange with the Chinese Government department or service concerned to do certain things such as: (a) undertaking the support of the family of the individual sent, during his absence from the country; (b) payment of travelling expenses within China (between his home and the Asiatic port of embarkation); (c) agreement with the fellowship holder as to the position which he would hold on his return to China.

5. Finally a formal recommendation from the Chinese Government of one or more of the individuals already informally agreed upon.

It has been represented that there would be certain advantages in such a system. Only those would be brought to the United States who had proved their ability in actual work in China; the fact that the Chinese Government was sharing in the expense, and would employ the scholarship holder on his return, would help to give assurance that he was considered a really useful worker; there would be the element of cooperation which the Embassy noted in the British plan.

This system has given good results when tried by private organizations. The Department would be interested to learn whether the Embassy believes some such plan would be feasible and wise for the Department to follow. If the Embassy is favorably disposed, consideration may be given to the advisability of including provision for fellowships of this type in some future budget.

At the same time it would be of interest to consider whether it would be wise to ask the Chinese Government to reciprocate by making available some of its experts for service in American institutions. As the Embassy will have noted from the Department's telegram of May 3, 1943,¹⁷ the Harvard-Yenching Institute is inviting a Chinese philologist, Mr. S. S. Ting of Academia Sinica, to come to this country to work on a project of that Institute. Such invitations might come from several institutions if the Chinese Government were disposed to cooperate.

In the meantime it would seem that the steps already taken by the Department and by the agencies supported by the American indemnity funds will compare very favorably with what the British Government is proposing to do.

811.42793/11904

Memorandum by Mr. Willys R. Peck of the Division of Cultural Relations

[WASHINGTON,] June 14, 1943.

(1) RC,¹⁸ China Section, feels that there is urgent need at Chungking for a special Cultural Relations officer, preferably a senior Foreign Service officer, but if such an officer is not available, for an Auxiliary Foreign Service officer. A Foreign Service officer would be preferred for this position, because his knowledge of State Department usage and procedures would make the Department's relations with the cultural relations program in China run more smoothly and with less risk of unexpected occurrences, than would be the case if a man lacking this background were appointed to the post. The Chief of Mission would undoubtedly be able to delegate duties to an experienced Foreign Service officer with greater confidence than he would feel in the case of a man appointed from outside the Service.

(2) Some of the special duties awaiting the appointment of a Cultural Relations officer at Chungking are described below:

(3) *Experts.* Eleven technical experts are in China or have left the United States, and five more are now being appointed. These

¹⁷ Not printed.

¹⁸ Division of Cultural Relations.

men, in order to set to work immediately on arrival, should be introduced by the Embassy to a number of Chinese Government offices and certain information should be gathered by the Embassy in advance of the arrival of each expert. Dr. Ralph Phillips, animal breeding specialist recently wrote in a personal letter to RC:

“One of the obvious needs, here, is for a man on the Embassy staff whose primary and only interest is the Cultural Relations program. If the program is to work effectively there should be someone who can see that the specialists are properly introduced to the Chinese workers and the field of work, and also to see that the needs of the specialists are met, in so far as that is possible under present conditions. At present there is no one at the Embassy who has either the time or the interest to give the experts more than passing notice, and we are obviously not considered a part of the Embassy organization. Even such minor items as stationery become major problems out here. Another very useful function that a staff member could perform is supplying information on what is really needed out here. In my case, for example, such a man could have spent two or three days with the Ministry of Agriculture officials and then advised you of the type of organization and the facilities available, and also the specific kinds of help and information that were needed. This information could have been obtained quite easily, and if it had been available I would have been in much better position to do the job here. As the number of specialists increases, the need for such a man will become more acute.”

(4) *Motion Pictures.* The Division of Cultural Relations is completing the Chinese soundtracks for about thirty reels of motion pictures and is producing about seven reels of new films for China. This work represents an investment of about \$20,000. An additional 70 pictures are planned for the 1944 fiscal year. When the prints of the present pictures, numbering about 150, are shipped to China, it is essential that an officer of the Embassy should supervise distribution. These films are all 16 mm. and cannot be shown in commercial theaters. They are intended for schools, clubs, and Government offices. In South American capitals some Cultural Relations officers have achieved a total attendance of 250,000 persons a month for American non-theatrical picture shows. Only two or three projectors are used in each Latin American country. In China there are at least a dozen projectors available. The Embassy has already stated that motion pictures can serve as a very useful form of influence.

(5) *Microfilm.* The distribution of microfilms has been at least a half-time job for John Fairbank. He is expecting to leave for the United States shortly. An officer of the Embassy must be assigned to take over these duties.

(6) *Cooperation between Chinese and American Societies.* The building of cooperation between Chinese and American professional

and scientific groups should be stimulated by a Cultural Relations officer in Chungking. American medical societies, engineering societies and agricultural bodies are already extending assistance to corresponding groups in the other American republics, in cooperation with this Department, but at no cost to the Government except for the occasional use of the pouch. RC believes that this building of a community of interest by the Chinese and American doctors, scientists, and engineers will reinforce the past benefits of American education acquired by Chinese, and will serve to counteract the tendency of some Chinese toward an isolationist attitude.

It is the hope of the China Section that funds will be available with which to send to China three American citizens of high academic standing to promote general cultural relations activities. These men, however, will spend most of their time traveling to educational centers. It is essential that there be an officer residing in Chungking to look after day to day operations and to serve as informal liaison with the branches of the Chinese Government concerned.

(7) If FE¹⁹ approves the designation of a Foreign Service officer as Cultural Relations officer at Chungking, the China Section will be glad to discuss with FE the selection of a candidate and subsequently to take up the matter with FP.²⁰

811.42793/1223 : Telegram

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

WASHINGTON, June 25, 1943—midnight.

807. Funds have been requested and may possibly be available July 1 for sending 3 American professors to China for 1 year. The Department is tentatively considering the appointment of George Cressey, professor of geography at Syracuse University, to fill the first position. His assignment would differ from that of his two colleagues. He would be expected to act as field representative of the Division of Cultural Relations to make the program more effective among educational groups; and to recommend to the Department measures for the improvement and the development of the program. He might be asked to cooperate with Needham²¹ in aiding Chinese scientists.

Cressey's effectiveness would depend largely upon the welcome that would be accorded to him in Chinese official and educational circles. The Embassy is requested, at its discretion, to institute in-

¹⁹ Division of Far Eastern Affairs.

²⁰ Division of Foreign Service Personnel.

²¹ Joseph Needham, member of British Cultural and Scientific Mission to China.

quiries with regard to his acceptability among these groups. If acceptable an appointment to Academia Sinica parallel to Needham's might prove advantageous.

HULL

811.42793/1360

The Ambassador in China (Gauss), Temporarily in the United States, to the Adviser on Political Relations (Hornbeck)

LONG BEACH, CALIFORNIA, July 1, 1943.

DEAR DR. HORNBECK: Mr. Vincent²² brought me from Chungking the attached letter (with enclosures)²³ from Tseng Yang-fu, Minister of Communications, who is developing a plan for the technical training in the United States of a number of Chinese engineers and foremen for China's post-war reconstruction program.

Tseng Yang-fu, who is very much of a live-wire and at the same time rather an astute politician, spoke to me of this matter some time before I left Chungking. I expressed keen interest in the project and suggested that he work out his proposals and then discuss them with me and with Dr. Victor Hoo, Administrative Vice Minister of Foreign Affairs, who was present as a guest at my tiffin party for Tseng.

At this conversation, I managed to make a casual inquiry as to how Tseng's plan was to be financed. He stated then that he proposed that it be financed by the Chinese Government; but examination of the proposals made in the attached letter shows that he now proposes that the scheme be financed by American industry; that is, the engineers and foremen are to bear the cost from their "wage compensation". I do not believe he has reference to their wage compensation in China; it would not be adequate for any such purpose.

I believe that Tseng's proposals should have careful study with a view, if possible, to some arrangement whereby we can offer this technical training in the United States for Chinese engineers and leading hands. If we do not take them in the United States, the Chinese will look elsewhere.

The problem involves not only the cooperation of American industry, but the question of finance; and also the question of immigration regulations and the attitude of American labor unions. It is perhaps unfortunate that this question comes up just at a time when Chinese immigration restrictions²⁴ are to the fore in the United States, but we should have to face this problem sooner or later.

²² John Carter Vincent, former Counselor of Embassy in China; appointed Assistant Chief of the Division of Far Eastern Affairs, August 21, 1943.

²³ None printed.

²⁴ For correspondence regarding repeal of Chinese Exclusion Laws, see pp. 769 ff.

As I do not expect to be in Washington for another month, it seems desirable that I send Tseng's letter on to the Department so that the matter may be studied in advance of my arrival there, and so that I may be able to take back some word to Tseng when (and if) I return to Chungking.

I should add this: Tseng's letter does not indicate that his plan has approval of the National Government; and he puts his proposals forward with a request for "comment and suggestion". This is typical of Tseng; he is not inclined to proceed "through channels", and he seeks to put matters through by himself. I had hoped that when he had formulated his ideas he would discuss them with the Foreign Office (and the Executive Yuan) and the proposals made to us would have National Government blessing. I commented to Tseng that I had noticed from our passport reports that Dr. Wong Wen-hao, the Minister of Economics, was from time to time sending some of his men, as government officials, to the United States, for special training in American plants. It was my intention to look into this matter "diplomatically" and see just what Dr. Wong had worked out. I am inclined to believe that his men (I recall that they came principally from the National Resources Commission, which is part of the Ministry of Economics) have been "placed" in the United States through T. V. Soong and China Defense Supplies.

I feel that we should give all possible support to Tseng's project, but I doubt whether American industry is going to be willing to finance it, and I would prefer to avoid the difficulty regarding immigration regulations and our American labor unions by having these people come under Government status, without "compensation" from industry. It would of course be an expensive measure if we had to finance it (say \$1,000,000 a year if each person were allowed \$2000).

However, the problem should be studied, and I am therefore sending it on to you in advance of my return to Washington.

Very sincerely yours,

C. E. GAUSS

811.42793/1286 : Airgram

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

CHUNGKING, July 22, 1943—12 noon.

[Received August 4—4 p. m.]

A-19. According to recent Chinese press reports which have been confirmed by Chinese officials a plan has been submitted to the Executive Yuan by the Ministry of Education for sending one thousand Chinese students each year for the next five years to the United States and Great Britain. Informed sources state that 700 students will be

sent to the United States and 300 to Great Britain each year under this plan. Of this number 500 are to be chosen by examination and 500 are to be appointed by institutions, with the approval of the Ministry of Education. Those appointed are generally to be older persons up to the age of 40 and will include professors, who must have engaged in study within the previous 15 years, and government officials. Students to be eligible for examination must have graduated from college within two years previously or must be among the first three in recent graduating classes. Government officials will be drawn from the Ministries of Economic Affairs, Communications and Agriculture and Forestry and from the National Health Administration. Women will be eligible for examination and appointment. All expenses will be paid by the Chinese Government and students are to be sent for two-year periods, subject to extension.

The project has arisen from the lack of trained technical personnel in China and the anticipated needs for the post-war reconstruction program. An informed Chinese states that at the beginning of the Sino-Japanese war, the Chinese Government adopted a policy of discouraging the sending of students and technicians abroad on the ground that their services were needed in China. It subsequently developed that through the deterioration of Chinese university standards during wartime the caliber of Chinese graduates was lowered and trained technical personnel became inadequate.

Dr. Wang Shih-chieh, Secretary General of the People's Political Council and of the State Planning Board, is reliably reported as having urged that 30 per cent of the students to be sent abroad under the plan should be in the social sciences but a member of the Executive Yuan states that approximately 80 per cent of the students will be in technical fields.

A qualified foreign observer views the insistence upon such a large number of technical students as a bid by the CC clique for a share in the Chinese post-war industrialization and technological development. This observer feels that the National Resources Commission and the Ordnance Department include most of the technical skill needed for Chinese industrialization; that the weakness of the CC leaders has lain partly in their lack of technicians capable of building a new China; and that this program represents their effort to achieve a dominant position in post-war development. An informed Chinese source takes a similar view but feels that the Chung Hsueh Hsi group (so-called Political Science group) has too strong a hold in the technical field through Dr. Wong Wen-hao, the National Resources Commission and industrial plants under his control to lose its leading place in the economic development of China. While Tseng Yang-fu, Minister of Communications, is a member of the CC group,

the technicians of his Ministry are said by this Chinese to be followers of Dr. Wong.

The Embassy feels that this plan which is expected to receive the approval of the Executive Yuan offers an opportunity to the Division of Cultural Relations to accomplish an effective extension of its cultural relations program for China. Plans could be made to bring to the appointees an appreciation of the American way of life and a personal interest could be taken in them which would make their stay in the United States more than a pure study of technical subjects. Only a small number of students may be expected to be sent this year, full effectuation of the program to be achieved in 1944.

ATCHESON

893.00/15097

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

No. 1416

CHUNGKING, August 2, 1943.

[Received August 21.]

SIR: There is enclosed a copy of a memorandum²⁵ prepared by Dr. John K. Fairbank, a former member of the faculty of Harvard University and the Chungking representative of the Inter-Departmental Committee for the Acquisition of Foreign Publications, on the subject of the organization and present condition of the Central Political Institute. The memorandum may be summarized as follows:

The Central Political Institute, which is situated about 10 miles south of Chungking, is under the direct control of the Kuomintang, and graduates enter the government service without further examination. The Institute has a present enrolment of approximately 1500 students and is divided into the three following divisions: 1) The College, which offers courses in Politics and Law, Economics, and Diplomacy; 2) The Civil Service Division, whose graduates are guaranteed government posts in the civil service by law and thus have a more secure legal status than the graduates of the College whose government posts are guaranteed only by the Kuomintang; 3) The Technical Division, which is divided into the four sections of journalism, Asiatic languages, land administration, and statistics. It is reported that the annual budget of the Institute is CNC \$15 million, while the Academia Sinica and the National Southwest Associated University in Kunming (the leading educational institution in China) receive in the neighborhood of only CNC \$2 million each.

Students may enter the Institute either by competitive examinations or by recommendation by the provincial commissioners of education

²⁵ Not printed.

and are provided without charge food, lodging, uniforms and spending money. The faculty is composed of about 50 persons and is headed by General Chiang Kai-shek in the capacity of Chancellor of the Institute. Close relations with the Generalissimo's headquarters are indicated by the fact that the section of the Headquarters which deals with personnel and is headed by Mr. Chen Kuo-fu, one of the two leaders of the reactionary C-C clique, is located at the Institute, so that Mr. Chen is in intimate touch with the personnel passing through the Institute.

Dr. Fairbank is of the opinion that the background of the group of faculty members whom he met on a recent visit to the Institute was decidedly continental European, and he states that they acknowledged that "continental administrative systems seemed to hold more for a country like China than the Anglo-Saxon systems". The Vice-Chancellor of the Institute, Dr. Ch'eng T'ien-fang, nevertheless expressed much interest in post-war educational relations with the United States, and the Institute appeared to be desirous of sending men to the United States for training in administrative internships. Although the Institute does not appear to Dr. Fairbank to be staffed by men of great ability, he feels that it is in a key position and is not necessarily hostile to the United States.

Dr. Fairbank feels that a preference for continental rather than Anglo-Saxon administrative systems is understandable in those who may be interested in building up a widespread bureaucracy under centralized control. The Institute may, therefore, be viewed as one more aspect of the efforts of the Kuomintang leaders to extend their control over all phases of activity in China.²⁶

Respectfully yours,

GEORGE ATCHESON, JR.

811.42793/1360

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

No. 406

[WASHINGTON,] September 27, 1943.

The Secretary of State refers to a letter dated July 1, 1943, addressed to Mr. Stanley K. Hornbeck, Adviser on Political Relations, by the

²⁶ In a memorandum dated September 24 to the Division of Cultural Relations the Assistant Chief of the Division of Far Eastern Affairs (Vincent) stated: "Mr. Fairbank's memorandum transmitted by Chungking's despatch no. 1416 of August 2, 1943 is especially interesting. The Central Political Institute, of which he writes, and the Central Training Corps in Chungking where officials of the Government undergo a rigorous training in Kuomintang precepts, form the basis of a system of party control in the future which does not augur well for the development of democratic methods." Mr. Vincent took the occasion to make reference to "the matter of the assignment of an attaché to Chungking to handle cultural or educational relations" and to urge that "Mr. Fairbank would be an excellent choice."

Ambassador on his recent visit to the United States, which transmitted for the Department's information a letter²⁷ written to the Ambassador on May 14, 1943 by Mr. Tseng Yang-fu, Chinese Minister of Communications, elaborating a plan for the sending of five hundred technicians annually for training in the United States. The Ambassador will recall that Mr. Tseng stated that he had written to the Vice President²⁸ and to the Secretary of Labor,²⁹ likewise, "to canvass their support", and that the whole subject was discussed with the Ambassador by officers of the Department.

The Department is informed that replies have been, or will be, sent by the Vice President and the Secretary of Labor, informing Mr. Tseng of their general approbation of his plan.

Since the date on which this matter first came to the Department, additional information regarding the desire of the Chinese Government to train technicians in the United States has been received. Particular reference may be made to the Embassy's airgram no. A-19, of July 22, 12 noon, concerning a plan submitted to the Executive Yuan by the Ministry of Education for sending seven hundred technical students annually to the United States over a five-year period.

The American Government would welcome the training in the United States of Chinese technicians for service in China in the period of reconstruction after the war, and would afford all such assistance in connection therewith as might be desired and might be possible and appropriate. The Embassy is authorized to inform the Chinese Government of the attitude of the American Government in this connection at such time and in such manner as the Ambassador deems advisable.

In addition to large scale plans for the training of Chinese technicians, such as the two specifically mentioned in this instruction, there are in prospect, or in actual execution, plans on a small scale for the training of Chinese in the United States in the various technical fields of communications and industry. It is probable that the administration of these various projects will be systematized under some over-all plan.

In view of the circumstances, therefore, the Department believes that it would not be advisable to assume that the plan set forth in Mr. Tseng's letter of May 14, 1943, is in its final form, nor to attempt any definite measures for its execution as it stands. If the Ambassador should have occasion to discuss this project further with Mr. Tseng, the Department suggests that he inform Mr. Tseng concerning the attitude of the American Government as described in the fourth

²⁷ Not printed.

²⁸ Henry A. Wallace.

²⁹ Frances Perkins.

paragraph of this instruction, and inquire whether the Chinese Government has in mind a comprehensive plan for the training of Chinese technicians in the United States that would include technicians in other fields, as well as communications.

811.42793/1286 : Airgram

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

WASHINGTON, October 2, 1943—6 p. m.

A-87. Embassy's A-19, July 22, 12 noon. Investigations made by the Department disclose that seven agencies of the Chinese Government have formulated plans for the training of technicians in the United States. These plans are in various stages of realization. The Department, the Lend-Lease Administration and other agencies of this Government that have been appealed to for assistance or approval have been very cooperative. T. V. Soong as Director of China Defense Supplies has set up a committee to serve as a sort of clearing house for these various projects. In this Government the Department's Division of Cultural Relations is acting in this capacity. So far as present training plans have prospects of successful execution, there would seem to be no reason to alter them. In general they are part of the war effort.

The new training program seems to the Department calculated to bring substantial benefit to China and the United States and to their relations with each other provided adequate preparations are made in advance. For example, it seems desirable to provide for this project a supervisory agency in the United States staffed by competent Chinese officials and with perhaps one experienced American personnel specialist as consultant. Such an agency would be essential to keep records and provide contact with Government and private organizations in relation to the fourteen hundred trainees who would be present in the United States at any one time. A rough estimate of the probable cost of the project would be for each of the thirty-five hundred men, transportation to and from the United States \$2,000, transportation in the United States \$200, initial equipment \$250, subsistence in the United States \$2,400, and for a supervisory office at \$75,000 per annum for six years, \$450,000, giving a total of over seventeen million dollars. Providing for unexpected expenditures and possible expansion, a tentative total estimate would be twenty million dollars over a period of six years. It may be the intention of the Chinese Government to appropriate annually the funds necessary to conduct the enterprise, but the Government might prefer to allocate the entire sum in advance. The Department has received a letter from the

Secretary of the Treasury ³⁰ stating that the Treasury Department would agree to a request from the Chinese Ministry of Finance if such a request were made that the sum of twenty million dollars be earmarked from the five hundred million dollars financial aid allotted to China by the agreement of March 21, 1942 ³¹ which provides in part that the credit shall be used to "effect further social and economic measures which promote the welfare of the Chinese people".

While the Department wishes to extend every appropriate assistance to the Chinese Government in carrying out the plan set forth in the Embassy's A-19, it would prefer that the execution of the plan should rest upon the initiative of the Chinese Government and its agencies in China and the United States. The Chinese might be sensitive, for example, in regard to any seeming dictation in the use of their credit. The Department suggests that the best approach would be for the Embassy to convey informally to an official of the Executive Yuan the information that this Government would welcome official notification concerning this plan the existence of which has been published through the press and would be glad to respond to the notification with an offer of assistance. The two suggestions concerning a supervisory agency and the possible utilization of credits may be conveyed in any way the Embassy regards as most tactful.

BERLE

811.42793/1403 : Airgram

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

CHUNGKING, October 7, 1943—noon.

[Received October 27—5 p. m.]

A-69. Reference Embassy's A-19, July 22, 12 noon. Plans for sending a large number of students to the United States and England have reportedly now been almost completed, although not yet officially announced, and provide for twelve hundred students of technological or managerial subjects. (Original plan called for approximately ten percent to study social sciences or humanities.) Eight hundred are to be sent to the United States and 400 to Great Britain, the majority to remain for two years. Selections are to be made by the Ministries of Education, Communications and Economic Affairs in numbers of 700, 300 and 200 students, respectively, approximately ten percent to be appointed by concerned ministries and the remainder selected by competitive examination. All are to receive a period of political indoctrination (presumably in the Central Training Corps) before

³⁰ Henry Morgenthau, Jr.

³¹ Financial aid agreement, signed at Washington, March 21, 1942, Department of State *Bulletin*, March 28, 1942, p. 263.

going abroad and those concerned with industries will spend some time in industrial plants.

A qualified foreign observer comments that the complete exclusion of students in fields other than technical and managerial and the insistence upon placing Chinese students in the West almost entirely on a technological level fit into two patterns: (1) the century-old doctrine of "Western studies for use, Chinese studies as the base", which is reflected in *China's Destiny*,³² and (2) the practice of totalitarian powers to use education for technology and technology for the service of the state. This observer raised the question with an official of the Executive Yuan of a more balanced program which would train a few Chinese students in the ideas, arts, letters and social studies of the West, and he received the answer that the direct offer by American universities of their own scholarships for study in the United States to the Chinese academic public by competitive examination (written and oral), without reference to the Ministry of Education, would be entirely feasible.

It is suggested that the Department may wish to consider the advisability of having the Cultural Relations Division take up informally with leading American universities the question of scholarships of this type.

GAUSS

811.42793/1339

*Memorandum by Mrs. Wilma C. Fairbank and Mr. Willys R. Peck of the Division of Cultural Relations*³³

[WASHINGTON,] October 12, 1943.

DESCRIPTION OF DR. CRESSEY'S DUTIES IN CHINA

1. Dr. Cressey's primary duties will be to visit Chinese universities when invited to do so, to give lectures and attend conferences. The lectures will include those on general intellectual developments in the United States and those of a professional character on Dr. Cressey's special field, geology and geography. In his lectures and conversation[s] he will place emphasis on the value of academic freedom, intellectual integrity, and on the wide dissemination and application of knowledge. It is believed that this will stimulate the morale of educators and students. It will probably prove advantageous to

³² The title of a book written by Generalissimo Chiang Kai-shek.

³³ Drawn up at a conference held on September 28; in addition to Mrs. Fairbank and Mr. Peck the following, also of the Division of Cultural Relations, were participants: Ralph E. Turner, Paul Meyer, William H. Dennis, and George B. Cressey. Copy of memorandum was transmitted to the Ambassador in China with instruction No. 450, November 17, not printed. In its instruction, the Department requested the cooperation of the Embassy in China with Professor Cressey.

visit educational centers for a week or two, rather than for a few days only.

2. Dr. Cressey will carry a letter from the American Academy of Sciences to the Academia Sinica, and he should establish close relations with the latter institution, one reason for this being that it will facilitate his receiving invitations to lecture, the arranging of travel permits, etc. At the same time, his relations with the Academia Sinica should not be so close as to place him in a position of partisanship in respect to any difference between the Academia Sinica and the Ministry of Education.

3. The objectives of the cultural relations program were discussed and it was recognized that Dr. Cressey's relations in China would fall into two general categories, firstly, relations with the Ministry of Education and with other branches of the Chinese Government as the political agency of the country, and secondly, with educational and strictly cultural institutions. These relations should, when possible, be made to serve the object of strengthening a disposition toward democratic ways of thinking where it exists and of persuading toward such ways of thinking those agencies and individuals who may be thinking in another direction. It is hoped that the net result will be to strengthen the universities and professors who believe in those educational and international ideals in which we, as Americans, also believe.

4. Since the cultural relations program is a program of service to China as a whole, the smaller and more isolated institutions, which have few foreign contacts, should be assisted as well as the leading schools. The preparation of an itinerary must await Dr. Cressey's arrival at Chungking, but it may include travel as far east as Fukien or northwest to Sinkiang.

5. As a by-product of Dr. Cressey's work, he should prepare a critical evaluation of all Chinese universities in terms of faculty, equipment, students, and needs; and likewise of scholars in several fields, especially geology and geography.

6. Since the cultural relations program involves reciprocity, one of its objectives is to strengthen American scholarship in respect to the Orient. While Dr. Cressey does not plan to engage in field work in his own profession of geography and geology, he will nevertheless give his attention to this field as opportunity offers, but only to the extent that it does not result in interference with the cultural relations program in general.

7. The geographic and geologic interests of Dr. Cressey have led him to study post-war economic planning for China and to a consideration of the larger questions of geostrategy, sometimes called geopolitics, in Asia, which have resulted in his forthcoming book and in official studies made for the Office of the Geographer of the Depart-

ment of State. These studies deal with the distribution of people, land, agriculture, minerals, and topography as they relate to plans for communications, industry, and national welfare. His familiarity with Soviet developments has point here.

Since these questions have political implications, it is expected that Dr. Cressey, in studying them and lecturing about them on appropriate occasions will use great tact and will discuss his plans with the American Embassy in advance. His status as a Visiting Professor with respect to public statements is somewhat intermediate between that of a University Professor with full academic freedom and a Foreign Service Officer.

8. Dr. Cressey will be away from Chungking for lengthy periods and it will, therefore, be impossible for him to perform many administrative duties. Nevertheless, it is requested that he constantly bear in mind the present and prospective cultural relations program with China and India and that he give his advice to the Division of Cultural Relations in regard to the program; points in which his opinion and advice would be useful would include the effectiveness of microfilm, exchange of students and faculty members, the needs of universities, etc.

811.42793/1409

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

No. 1692

CHUNGKING, October 18, 1943.

[Received November 6.]

SIR: I have the honor to enclose a copy of despatch No. 156 of September 13, 1943, together with enclosures,³⁴ from the Secretary at Chengtu³⁵ on the subject of the precarious position of Christian colleges and their importance in Sino-American cultural relations.

Summary of Despatch. The cumulative effects of unchecked inflation in China coupled with the ridiculously low exchange rate for U. S. dollars have placed the twelve Christian colleges which are actively functioning in free China in a precarious financial condition, and if means are not found to alleviate the situation several of these institutions may be forced to discontinue operations after the close of the present scholastic year. While Christian colleges are receiving approximately 35 times as much Chinese currency as they were receiving in 1936-1937, this currency will purchase only 17 per cent of the goods and services which were purchased before the war with their greatly reduced incomes. Mr. Smith is of the opinion that any serious curtailment of the work of the Christian colleges at this time would be of direct concern to the American Government and he suggests that the Division of Cultural Relations reexamine the possibility of utilizing

³⁴ None printed.

³⁵ Horace H. Smith, Second Secretary of Embassy in China.

these institutions to a greater extent and consider whether some official action might be taken to prevent the curtailment of their activities. If a more favorable readjustment of the official exchange rate is not possible, he suggests either direct aid through financial support of worthy projects of the colleges or indirect aid through the inclusion of these institutions in any reverse lend-lease arrangement that may be proposed.

Respectfully yours,

C. E. GAUSS

893.01A/189

Memorandum Prepared in the Department of State

[WASHINGTON,] October 28, 1943.

TECHNICAL EXPERTS SENT TO CHINA UNDER THE CULTURAL RELATIONS
PROGRAM OF THE DEPARTMENT OF STATE

Agricultural

- Dr. Walter C. Lowdermilk,
Assistant Chief, Soil Conservation Service,
United States Department of Agriculture.
- Dr. T. P. Dykstra,
Principal Pathologist (Potato Breeding),
Bureau of Plant Industry,
United States Department of Agriculture.
- Professor Ray G. Johnson,
Head, Department of Animal Husbandry,
Oregon State College.
- Dr. Ralph W. Phillips,
Principal Animal Breeder,
Bureau of Animal Industry,
United States Department of Agriculture.
- Dr. E. A. Tunncliff,
Associate Veterinary Pathologist,
Montana State College.
- Dr. Donald V. Shuhart,
Senior Technician on Soil Erosion,
Soil Conservation Service,
United States Department of Agriculture.

Communications

- Mr. Omar C. Bagwell,
Member of the Executive Staff,
International Telephone and Telegraph Company,
New York, New York.
(Former Chief Engineer, Madrid, Spain.)

Cooperatives

Dr. W. Mackenzie Stevens,
Dean of Commerce,
University of Maryland.

Mr. John R. Lyman,
Business Executive, St. Louis, Missouri.
(Formerly Small Business Statistician, Department of Commerce)

Engineering Professors

Mr. P. B. Eaton,
Head, Department of Mechanical Engineering,
LaFayette College.

Mr. F. N. M. Brown,
Head, Department of Aeronautical Engineering,
Notre Dame University.

Mr. F. O. McMillan,
Head, Department of Electrical Engineering,
Oregon State College.

Hydraulic Engineering

Mr. Willis C. Barrett,
Supervising Engineer, Imperial Valley Irrigation Works,
El Centro, California.
(Formerly Consultant, Fukien Construction Bureau, Foochow)

Mr. John L. Savage,
Chief Designing Engineer,
Bureau of Reclamation,
Department of Interior

Industry

Mr. W. W. Kintner,
Superintendent, Timken Roller Bearing Company,
Canton, Ohio.
(Machine shop specialist)

Mr. John L. Keenan,
Recently General Manager, Tata Steel Works, India.

Information

Mr. Floyd Taylor,
City Editor,
New York World-Telegram.

Mr. Frank T. Buchner,
Magazine Editor, Wright Aeronautical Corporation,
Paterson, New Jersey.

Mr. George H. Grim,
Radio Director,
Minneapolis Star-Journal.

Mr. George Alexanderson,
New[s] Photographer, *New York Times.*

Health

Major John T. Tripp,
Specialist in Bacteriologic Materials.

811.42793/1441

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

No. 1819

CHUNGKING, November 16, 1943.

[Received December 3.]

SIR: I have the honor to refer to the Embassy's airgrams no. A-19, July 22, 12 noon, and no. A-69, October 7, noon, and to the Department's airgram no. A-87, October 2, 6 p. m. with regard to the proposed plan of the Chinese Government to send technical students to the United States for study.

There are now enclosed (1) a memorandum of conversation dated November 8, 1943, between the Counsellor of the Executive Yuan and an officer of the Embassy; ³⁶ (2) and (3) translations ³⁶ from news items which appeared in the *Ta Kung Pao* on October 29 and November 4, 1943; and (4) a translation ³⁶ of a news item which appeared in the *Sao Tang Pao* on November 10, 1943—all dealing with the subject of sending Chinese students abroad for study.

Summary of Enclosures. Dr. P. H. Chang, Counsellor of the Executive Yuan, stated that he had heard indirectly of a plan proposed by the Central Planning Board for sending students to the United States at Chinese Government expense but that the Executive Yuan had no official information concerning it. He mentioned also that the Ministries of Education and Economic Affairs were planning to allow students to proceed to the United States at their own expense after being examined by the Ministry of Education. Dr. Chang expressed appreciation of the interest shown by the American Government and said that he would call the suggestions with regard to financing such a plan and the establishment of a supervisory agency to the attention of interested officials.

The Chinese press on October 29 carried a list of regulations governing students proceeding abroad for education at their own expense, the important points of which are as follows: (1) no students will in the future be permitted to go abroad for study at their own expense without prior sanction by the Ministry of Education; (2) a total of 600 students will be given permission to study abroad and a provisional

³⁶ Not printed.

ration has been established of 60% for study in sciences and 40% in the arts; (3) examinations conducted by the Ministry will consist of a written examination in the Three People's Principles, national history, geography, Chinese language, foreign languages and the applicant's special subject and an oral examination in the candidate's deportment and thinking; (4) all students who pass the examinations shall undergo a period of intensive indoctrination at the Central Training Corps; (5) reports will be submitted periodically by the Superintendent of Students in the United States on their work, their thinking and their deeds, which if found to be irregular may bring about a student's summary recall to China; and (6) on the student's return to China the Ministry of Education may assign him to an appropriate position.

Press reports on November 5 stated that the first group of students to be sent abroad at government expense will number 500 and that examinations will be held in February 1944. However, a Central News Agency report on November 10 stated that, as the project for sending students abroad at government expense had not yet received approval, students would proceed abroad this year only at their own expense. *End of Summary.*

Dr. Chang stated in a more recent conversation with an officer of the Embassy that deliberations were being held on the question of sending students to the United States at government expense and that the Embassy would shortly be officially informed as to the results of these deliberations. He also stated that it would not be a good policy to send too many students at first and that probably not more than 1,000 students would be in the United States at any one time, thus considerably reducing the expected expenditures as estimated by the Department.

While the sending of students abroad for further study will undoubtedly bring substantial benefit to China in its post-war reconstruction period, the Embassy is of the opinion that, under such a rigorous system of selection and control, students of known liberal political beliefs or those suspected of a questioning or critical attitude toward the Kuomintang will find it extremely difficult, if not impossible, to obtain the approval of the Ministry of Education for study abroad. The provision in the enclosed regulations for supervision of students in the United States and their recall if found to be guilty of statements "contrary to the San Min Chu I"³⁷ or of "irregular" deeds shows to what extent the Kuomintang is prepared to carry its control over Chinese education. Almost equally discouraging is the willingness of the Kuomintang leaders to make public announcement of such fascist-like practices which are thus to be effective beyond the borders of China.

It is noted that the provisional ratio of self-supporting students proceeding abroad includes 40% in the arts (literature, law, commerce and education), but it is believed that as long as the Ministry of

³⁷ The "Three People's Principles" of Sun Yat-sen.

Education has complete control in the selection of all such students the number of those proceeding abroad to study other than scientific subjects will be negligible.

With reference to the suggestion advanced by the Embassy (Embassy's A-69, October 7, noon) that scholarships be offered by American universities through competitive examinations to be held in China under capable impartial auspices, it is believed such a procedure would still be feasible and might serve to prevent the sending of only Kuo-mintang hand-picked personnel for study in the United States.

Respectfully yours,

C. E. GAUSS

811.42793/1517b : Airgram

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

WASHINGTON, November 23, 1943—1 p. m.

A-120. The Department has been informed by some of the Chinese professors visiting the United States in acceptance of the invitation set forth in the Department's telegram of October 13, 9 p. m. 1942⁸⁸ that their respective universities are in need of recruiting specially trained men for their teaching staffs. As an additional measure of assistance to the six institutions in question the Embassy may inform them that, if they desire to add to each of their respective staffs one graduate student now in this country, the Department will be glad to defray his travel expenses from the United States to the place in which the University that has engaged his services is situated. The Department desires that the visiting professors shall be fully authorized to select the graduate students and to enter into employment contracts with them. For the purposes of this offer National Southwest Associated University will be entitled to one man for each of the component institutions thus raising the possible total of graduate students appointed from six to eight. The visiting professors indicate that if their institutions wish to empower them to make selections and conclude contracts the following information will be essential: nature of the instruction to be given by the appointee; type of position and amount of salary and allowances offered; length of the contract; and qualifications required of the candidate. The visiting professors feel that this invitation should be brought to the attention of the Ministry of Education even if it is not transmitted through the Ministry. The Embassy is asked to exercise its judgment as to the manner of transmitting this offer but should make it clear that transportation will be by sea, except for the last stage, that the Department assumes no responsibility in connection with risks incurred, and that

⁸⁸ Telegram No. 953; *Foreign Relations*, 1942, China, p. 724.

delays must be expected in obtaining priorities for travel. For the Embassy's information and use, if necessary, it is the intention of the Department to grant each appointee \$7 per diem during his journey.

Replies from the Universities should be in English but supplementary instructions to the visiting professors may be in Chinese. The Embassy is authorized to transmit both replies and instructions to the Department by pouch for forwarding to the addressees.

If the Embassy has suggestions to offer in regard to this proposal, they should be made by telegraph.

HULL

811.42793/1467

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

No. 1915

CHUNGKING, December 15, 1943.

[Received December 31.]

SIR: Upon departure from Chungking of Dr. John K. Fairbank, a representative of the "Interdepartmental Committee" and of the Office of Strategic Services also designated a Special Assistant of the Embassy, I wish to submit an expression of the Embassy's appreciation of Dr. Fairbank's assistance to the Department's cultural relations program.

While Dr. Fairbank's principal official function here is understood to have been the procurement of enemy publications for IDC,⁸⁹ he has shown a wide and vigorous interest in cultural relations matters. In an endeavor to assist him in the procurement of enemy publications by furnishing him something in the nature of a *quid pro quo* to offer possible or prospective sources for such publications, he has had supervision of the administration of the Embassy microfilm program, and the success of that program has been due largely to his efforts with it. In addition, he has assumed a number of "extra-curricula" activities (which, although not enjoying a forthright connection with the war effort, have had bearing on Sino-American cultural relations in general) such as projects for rendering financial assistance to Chinese professors and other matters tending to further Chinese reliance upon American generosity and friendship. He also consulted frequently with the cultural relations specialists sent by the Department for service with the Chinese Government, and while his advice and counsel may not always have conformed to settled usual Government standards, he was undoubtedly of assistance and encouragement to some of them. In all of these activities Dr. Fairbank exerted himself with such energy that he was generally regarded as representing the Division of Cultural Relations of the Department rather than OSS (or IDC). In the course of a speech by Dr.

⁸⁹ Interdepartmental Committee for the Acquisition of Foreign Publications.

Chu Chia-hua, at a tea party given to welcome Dr. Cressey and to say farewell to Dr. Fairbank, the latter's able "representation" of the Cultural Relations Division was referred to in complimentary terms and on the same occasion announcement was made that Dr. Cressey has come to China as "representative of the Department of State" and that Dr. Kates,⁴⁰ successor to Dr. Fairbank, would act as Dr. Cressey's "representative" when the latter should be absent from Chungking. The question of Dr. Kates' functions, in relation to the Embassy and to Dr. Cressey, is being made the subject of a separate despatch; ⁴¹ the point here is that Dr. Fairbank has served in part to meet the Embassy's need for a Cultural Attaché—a need which cannot of course be filled under present housing and staff conditions—and that he has rendered valuable service to the Embassy. We feel that Dr. Fairbank should be commended for his assistance to us in the cultural relations program.

Respectfully yours,

C. E. GAUSS

811.42793/1478

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

No. 1914

CHUNGKING, December 15, 1943.

[Received January 7, 1944.]

SIR: I have the honor to refer to the Embassy's despatch no. 1915, December 15, 1943, in regard to the assistance rendered the Embassy by Dr. John K. Fairbank in connection with the cultural relations program.

In addition to the apparent misunderstanding, mentioned in the reference despatch, as to the relationship among Dr. Kates, Dr. George B. Cressey, the Department and the Embassy, confusion seems now to have arisen in regard to Dr. Kates' functions under IDC and OSS. It is our understanding from conversations with Dr. Kates that in taking over Dr. Fairbank's work he has considered that he should more narrowly confine himself to the official purposes for which he was assigned here by IDC (and/or OSS) and by the Library of Congress and should devote his chief interests to matters having direct relation to the war effort in his field: i. e. to the procurement of enemy publications. The carrying on of the cultural relations micro-film program (which was entrusted to Dr. Fairbank in order to give him some *quid pro quo* to offer possible sources of enemy publications) he feels is somewhat outside the technical scope of his appropriate activities but he is agreeable to continuing with it for the time being.

⁴⁰ George N. Kates, Special Assistant to the Embassy in China, representing the Interdepartmental Committee and the Library of Congress.

⁴¹ *Infra.*

As the Embassy can not under present staff conditions assign an officer to full-time cultural relations duties and as under present housing and office conditions we can not take care of a cultural attaché, we have expressed to Dr. Kates our hope that he will find it feasible and profitable to continue Dr. Fairbank's excellent work with the microfilm program until the Embassy is in position to take over the operation of the program from him.

We believe that Dr. Kates is earnestly desirous of cooperating with the Embassy in every way but we feel that the question of his functions and his relationships with various organizations and persons has been left so unclear that inevitable problems are beginning to arise. We understand, for example, that during Brigadier General Donovan's⁴² recent visit to Chungking (Embassy's 2332, December 6, 4 p. m.⁴³) he instructed Dr. Kates to have nothing whatsoever to do with representatives of the Chinese Communist party in Chungking, including individuals to whom he had been introduced by Dr. Fairbank and from whom Dr. Fairbank expected to obtain publications and information thought to be of interest to IDC or to other agencies of the Government; and that General Donovan also instructed Dr. Kates to hold in abeyance a program (of which the Embassy had not previously been informed) of purchasing enemy publications from the British Military Attaché and from General Wang Peng-sheng, adviser to the Generalissimo on Japanese affairs and head of one of the Chinese secret gestapo services which is in some respects a rival of General Tai Li's organization with which OSS and the Navy Department (or some section of the Navy Department) are endeavoring to operate.

General Donovan did not mention to us in our discussion with him of OSS activities as they have relation to the Embassy any matters connected with Dr. Fairbank's or Dr. Kates' work. He indicated that Captain M. E. Miles, U.S.N., who unfortunately has designation as Naval Observer to the Embassy and who has been the principal OSS representative here, was no longer connected with OSS although he was continuing certain activities under General Tai Li's direction pursuant to an agreement between Tai Li and the Navy Department. General Donovan stated that a Major Hoffman, who accompanied him to China, would be chief OSS man here and that Major Hoffman would call at the Embassy with a view to clarifying any matters of appropriate interest to this Mission. (Major Hoffman has not called and we have not encountered him.)

What relationship is supposed to exist between Major Hoffman and Dr. Kates seems obscure. Dr. Kates understands that he is in some

⁴² William J. Donovan, Director of the Office of Strategic Services.

⁴³ Not printed.

respects under Major Hoffman's instructions and, as the Embassy should be divorced from OSS operations (which in our opinion should be under the control of the American Theater Commander⁴⁴), the question arises whether Dr. Kates should continue to have the formal affiliation with the Embassy involved in his designation as Special Assistant so long as he operates under the instructions of the OSS military group and may, for all we know, be called upon to engage in activities with which the Embassy has no concern and over which it has no control. (Similarly Captain Miles should not, of course, have any designation formally affiliating him with the Embassy.)

We feel that Dr. Kates can be of service to the American Government in the procurement of enemy publications and publications for the Library of Congress, and also in cultural relations—the handling of the microfilm program as a Special Assistant to the Embassy. But the confusing or intermixing of these activities with what are generally understood to be OSS operations and activities, which places him in the unhappy position of endeavoring to please several masters, is bound to work out most unsatisfactorily.

The question of Dr. Kates' relationship with Dr. Cressey, mentioned in the reference despatch, appears to have arisen from a misunderstanding which in turn possibly grew out of oral comment or remarks made to Dr. Cressey by officers of the Cultural Relations Division of the Department and also possibly out of oral remarks made to Dr. Kates and Dr. Cressey by Dr. Fairbank. So far as we are informed, Dr. Cressey and Dr. Kates have no official relationship and Dr. Kates now understands that he does not "represent" Dr. Cressey as "representative of the Department of State" during the latter's absence from Chungking. Furthermore, the Embassy does not understand that Dr. Cressey is in fact a "representative of the Department of State" but that he is a visiting professor of the Cultural Relations Division of the Department. (We have just received, as we were closing this despatch, the Department's mail instruction no. 450, November 17, 1943,^{44a} enclosing a copy of Mr. Peck's memorandum⁴⁵ in regard to Dr. Cressey and his functions; that subject will accordingly be treated in a separate despatch.)

We do not have specific recommendations to submit at this time as to possible solution of these various confusions and difficulties in regard to relationships, jurisdictions, etc., except that if Dr. Kates is to be under the orders of Major Hoffman of OSS to perform functions of OSS over which the Embassy does not have (and does not desire to have) any supervision or control, his designation as Special Assist-

⁴⁴ Gen. Joseph W. Stilwell.

^{44a} Not printed.

⁴⁵ Of October 12, p. 751.

ant to the Embassy should be canceled. If he is to continue to serve under such designation, or under any designation affiliating him with the Embassy, we believe that arrangements should be effected in Washington whereby his functions are clearly defined within a framework of activities over which the Embassy may appropriately exercise supervision and control.

In general it would be helpful to the Embassy and also to the persons concerned if the Department could see its way clear, before cultural relations specialists or other persons whose duties have bearing on cultural relations depart from the United States for China, to formulating in consultation with the Embassy specific instructions for their guidance and to making sure that all possible questions of this nature are completely clarified in the employee's mind.

Respectfully yours,

C. E. GAUSS

811.42793/1485

Memorandum of Conversation, by Mr. Paul W. Meyer of the Division of Cultural Relations

[WASHINGTON,] December 20, 1943.

Professor Chiao Tsai, one of the Chinese professors who is in this country at the invitation of the Department, told me that in a recent conversation a Mr. Kohlberg of the American Bureau for Medical Aid to China, who returned to the United States from China about two months ago, had informed him that two of the cultural relations experts at Kunming had made very derogatory remarks to him about China. Professor Tsai said that Kohlberg's comment was that it seemed incomprehensible that cultural relations personnel sent to China to improve relations between the two countries should engage in activity which would inevitably worsen those relations. I was unable to learn from Professor Tsai who the two experts were.

I told Professor Tsai that our experts were specialists along technical lines and that some of them had never been outside the United States. I said that it is an American trait to criticize anything and everything within their own country, and that these experts had apparently forgotten that they were abroad. I did not try to excuse the experts but took occasion to say that Americans consider criticism a good thing and that I thought China would be a lot better off if there was more criticism in China. I stated, however, that criticism should come from the people of the country, as criticism from outsiders was resented by all nations. I also took occasion to point out that Chinese were free to criticize the United States, that we Americans felt free to criticize the British, and that the

Russians felt free to criticize the British and Americans, especially in regard to our delay in opening [the] second front. He finally agreed with me that criticism was a fairly universal trait, and not necessarily something evil.

As this incident has been brought to the Department's attention, it might be advisable to instruct the Embassy at Chungking to caution cultural relations experts in the future to be more guarded in their comments.

811.42793/1490

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

No. 1963

CHUNGKING, December 27, 1943.

[Received January 12, 1944.]

SIR: I have the honor to refer to the Department's instructions Nos. 406 of September 27, 1943 and 420 of October 11, 1943,⁴⁶ in regard to a proposal of the Ministry of Communications to send 500 technicians annually to the United States for training, and to enclose a copy of a letter from the Minister of Communications dated December 8, 1943,⁴⁷ with which he transmits details of the plan drawn up by the Ministry.

Summary: The Ministry is preparing to send 285 technicians abroad during the first year of the plan, including 200 to the United States and 85 to Great Britain and Canada. They will be sent out at the earliest possible date after the selection and examinations now under way are completed. The Ministry contemplates the sending of superintendents abroad to supervise the studies of the junior engineers and to facilitate the smooth working of the plan. Two classes of technicians are mentioned, including senior officials of the Ministry who will be sent abroad on inspection tours (30 in the first year of the plan) and junior engineers who will be sent abroad for practical training (255 in the first year). Of the last named category, technicians will be allocated to specialize in railway, highway, telecommunication, navigation and aviation matters. *End of Summary.*

It is believed that the Department may wish to transmit details of this plan to the Secretary of Labor (Department's Instruction No. 420 of October 11, 1943) and to the Secretary of the Treasury (Department's Airgram No. 87, October 2, 1943). Information in regard to the plan of the Chinese Government to send technical students to the United States for study was given in the Embassy's despatch No. 1819, November 16, 1943, to which the Department may wish to refer in connection with the present despatch.

Respectfully yours,

C. E. GAUSS

⁴⁶ Latter not printed.

⁴⁷ Not printed.

REPRESENTATIONS BY THE CHINESE EMBASSY CONCERNING DESIGNATIONS GIVEN TO OUTLYING PROVINCES OF CHINA BY CERTAIN AMERICAN MAP MAKERS

893.014/263

The Chinese Ambassador (Wei) to the Secretary of State

WASHINGTON, June 10, 1943.

MY DEAR MR. SECRETARY: I beg to inform you that in maps and globes published in the United States, distinctions, either by difference of color or by other specifications, have been made between some outlying Provinces, such as the Four Northeastern Provinces, Sinkiang, Outer Mongolia, Tibet, etc. and other Provinces of the Republic of China. In most cases the word "Manchukuo" has been used for the Four Northeastern Provinces, and in some cases the name "Tannu Tuva" has appeared for a part of Outer Mongolia. Mongolia is often listed as a protectorate and Sinkiang as a sphere of influence under the Union of Soviet Socialist Republics.

These distinctions do not follow the boundary line of China as recognized by the Government of the United States, and tend to create erroneous impressions among the American people. I shall be greatly obliged if you will be good enough to call attention of the American publishers and manufacturers, especially Replogle Globes, 314 North Hoyne Avenue, Chicago, Illinois, and other educational institutions to the above errors, with a view to preventing their re-occurrence in the future.

I am [etc.]

WEI TAO-MING

893.014/263

Memorandum by the Geographer of the Department of State (Boggs)

[WASHINGTON,] July 13, 1943.

AMERICAN MAP MAKERS AND FOREIGN GOVERNMENTS

The letter of June 10, 1943, from the Chinese Ambassador, regarding an American made globe on which Chinese territories are shown as under Japanese sovereignty or Russian influence, presents a problem which assumes a different aspect in wartime.

Considerable harm may be done to the cause of the United Nations in the war effort if private map publishers follow their own hunches and predilections, at least in the absence of any reliable information or suggestion regarding cartographic policy. Representatives of the press, in press conferences, are frequently given background information, which most of them respect scrupulously. If private map publishers and globe makers were given information and suggestions intimating the effect of their map practices upon international comity I believe many, if not all, of the publishers would welcome it, always upon the condition that freedom of the press as they understand it is not infringed. They are, of course, jealous of their right, in attempting to keep their maps "realistic" and up-to-date in order to sell their maps to advantage, to adopt a policy which sometimes disregards the official viewpoint of the Department of State.

The National Geographic Society, however, has been very considerate of international public opinion, especially since about 1932, when Dr. Hornbeck¹ and I discussed with Dr. Grosvenor the undesirability of their publishing and distributing a map showing "Manchukuo" under Japanese sovereignty; and ever since that time the National Geographic Society has always been very conscious of the mischief that might be done by their maps, because of their very wide distribution in all continents, if they unduly offend the sensibilities of the governments and peoples in the foreign countries in which they are circulated. The Renner article and maps in *Collier's* did much harm, and the maps in the new *Britannica* atlas might have produced very unfortunate results if they had not been modified shortly before publication last winter.

The following courses are open to the Department in such matters:

(1) Reply to specific inquiries and protestations from foreign governments, as in the present instance from China, saying that freedom of the press in the United States makes it difficult to suggest to private publishers what policies they should follow in such matters; and to do nothing except when representations are received from foreign governments;

(2) Send tactful letters to various map publishers, signed by one of the principal officers of the Department, apprising them of the effect upon international relations and the war effort of maps which, in their attempt to be realistic and up-to-date, are unfortunate in their treatment of sovereignty matters.

(3) Through personal contacts which we in the Office of the Geographer already have with a number of firms, and similar contacts which may be established with other firms, undertake to influence the practice of private map publishers with reference to the indication of sovereignty and territorial claims on their maps and globes.

¹ Stanley K. Hornbeck, Chief of the Division of Far Eastern Affairs, 1928-1937; Adviser on Political Relations, 1937-1944.

The attached draft letter to Rand McNally and Company accords with the second of the alternatives indicated above. To restrict such a letter to Chinese interest in the matter may suggest that the Department has received a communication from the Chinese Government. On the other hand, to give additional illustrations from Europe would be very difficult under present conditions—unless we were simply to suggest that 1937 international boundaries be shown in Europe until post-war settlements shall have clarified the situation.

We have enough problems without inviting the map manufacturers to write the Department more frequently for assistance. It is a question whether the interests of the war and the coming peace require a more active policy in these matters.

A list of map publishers² is attached, to which letters may be addressed, in accordance with the last paragraph of the draft letter to the Chinese Ambassador.³

S. W. Boggs

[Enclosure]

*The Secretary of State to Rand McNally and Company*⁴

WASHINGTON, July 31, 1943.

SIRS: Because of the harm that may be inadvertently done to the war effort and to the interest of friendly relations among the United Nations, your attention is invited to situations that sometimes arise in foreign countries from the publication in the United States of maps and globes which portray unilateral territorial claims of one country, to the disadvantage of another country which claims sovereignty.

It is very difficult both for government officials and for private citizens in some foreign countries to understand how maps and globes can be published in the United States representing sovereignty and claims of sovereignty in a manner which may be wholly at variance with the policy of the United States Government, because in those countries no private publisher is permitted to produce and distribute maps which are not in accord with the policy of the government. Hence, such maps published in the United States sometimes become the subject of representations to the Department of State by the governments of the countries concerned. In such instances the De-

² See footnote 4, below.

³ Letter to Chinese Ambassador, dated July 23, 1943, missing from Department files.

⁴ Identical letter sent to Denoyer-Geppert Company, Matthews-Northrup Works, International Map Company, Hagstrom Company, the George F. Cram Company, American Map Company, A. J. Nystrom and Company, Replogle Company, C. S. Hammond and Company, Encyclopaedia Britannica, Weber Costello Company, McKnight and McKnight.

partment explains, in effect, that under our freedom of the press, publishers in the United States are at liberty to produce and distribute maps and other publications without regard to viewpoints or policies of the Government.

I have thought that, in the light of present world conditions and of our common interest in the furtherance of friendly and cooperative relations among the United Nations, you may wish to be apprised of the fact that such situations arise, and that, in this connection, you might like to have an illustration of the Department's own cartographic practice. Thus, if a map of China were being prepared in the Department, the entire territory of the Republic of China would be included without distinction between its constituent parts, although the inner limits of Tibet and Outer Mongolia might be shown as internal boundaries similar to those of the provinces of "China Proper" including those of Manchuria, and of the provinces of Sinkiang, Sikang (Chwanpien), Tsinghai (Kokonor), Ningsia, Suiyüan, Chahar, and Jehol. In general, unilateral claims of any country, and occupation of territory by force, would not be represented as valid, or as constituting anything more than a claim by that country.

Very truly yours,

For the Secretary of State:
ADOLF A. BERLE, JR.

REPEAL OF CHINESE EXCLUSION LAWS BY THE UNITED STATES

151.10/1931

*Memorandum of Conversation, by the Adviser on Political Relations
(Hornbeck)*

[WASHINGTON,] March 10, 1943.

The Chinese Minister for Foreign Affairs, Dr. Soong, called on me this afternoon by appointment at his request. On the occasion of his last call, a few days ago, Dr. Soong had asked for samples of our modern treaties of commerce. I gave Dr. Soong collections, in duplicate, of such treaties, chosen and made up by TD¹ and TA;² and I made certain comments in line with suggestions made by those Divisions. Having looked the collection over briefly, Dr. Soong inquired whether we had not made treaties with Great Britain, France and Germany. I replied that we had made a treaty in the early 20's with Germany³ but not, I thought, any new treaties of *commerce* with Great Britain or France. I showed Dr. Soong the text of the treaty with Germany as it appears in the fourth volume of the Malloy (in continuation) collection; and I undertook to try to procure "separate" copies of that treaty for Dr. Soong.

Dr. Soong then inquired whether I had seen a bill that has been introduced in Congress by Mr. Kennedy.⁴ I inquired whether he was referring to a bill providing for the repeal of certain legislation. Dr. Soong replied that that was the bill that he had in mind, a bill bearing on the question of Chinese exclusion. I said that I had seen the bill and references to it in the press. Dr. Soong inquired what I thought of it. I replied that I had heard favorable comment with regard to it. Dr. Soong then made observations to the effect that the problems of a Minister for Foreign Affairs are many and complicated. I replied that it seemed to me that they were becoming more so, in both respects, every day; and that I wondered that any Minister for Foreign Affairs could keep in mind the many facts of which it is necessary that he have knowledge and the many problems to which it

¹ Division of Treaty Affairs.

² Division of Commercial Policy and Agreements.

³ Signed at Washington, December 8, 1923, *Foreign Relations*, 1923, vol. II, p. 29.

⁴ H. R. 1882, 78th Cong., 1st sess: "To grant to the Chinese rights of entry to the United States and rights to citizenship."

is necessary that he give attention. Dr. Soong then said that the best that one can do is to choose a few subjects, three or four, and delegate authority regarding the rest—hoping that they will be properly handled. I gained the impression that Dr. Soong is in process of making up his mind regarding the question of choosing the “three or four” subjects upon which he will try to concentrate. I am reasonably sure, from questions which he has brought up with me in past conversations and in the conversation of which record is now being made, and some questions which Dr. Soong’s right-hand man, Dr. Alfred Sze, has put to me recently, that two of these questions are going to be (1) the question of negotiating a new commercial treaty between China and the United States⁵ and (2) the question of Chinese immigration into the United States and matters relating to and connected therewith.

S[TANLEY] K. H[ORNBECK]

150.01 Bills/467

*Memorandum of Conversation, by the Assistant Secretary of State
(Long)*

[WASHINGTON,] May 13, 1943.

Participants: House Speaker Sam Rayburn
House Majority Leader John W. McCormack, and
Mr. Long

I called on the Speaker by appointment and he asked Mr. McCormack to sit in. I was accompanied by Mr. Johnston.⁶

I presented the Department’s point of view which envisaged the four Bills presently pending in the House of Representatives and referred to the Immigration Committee covering different phases of repeal or amendment to the Chinese Exclusion Laws⁷ and to the meeting of the Committee scheduled for next Tuesday, and stated that the Department was not unsympathetic to any proposal the Congress might make in regard to a change in the prohibition of Chinese immigration and citizenship, but the Department felt very sincerely that it would be unfortunate in the extreme from the point of view of our international relations if a Bill should be reported out by the Committee and an acrimonious debate should occur on the Floor and the Bill failed passage. Even an acrimonious debate would be unpleasant from the international point of view.

⁵ See pp. 710 ff.

⁶ Felton M. Johnston, Assistant to Assistant Secretary of State Long.

⁷ For information concerning certain treaty and special statutory provisions respecting the Chinese, see Green Haywood Hackworth, *Digest of International Law*, vol. III (1942), pp. 776 ff.

Consequently it was suggested that efforts be made by the leadership to determine in advance the attitude of both the House and the Senate on this delicate political question before the hearings were proceeded with.

The Speaker was in entire accord with the suggestion. However, Mr. McCormack developed into an advocate for opening up the whole subject without previous information as to the attitude of the House members. He felt that the Bill providing for the admission of the Chinese wives of American citizens, which he estimated at about four to six thousand, should be brought up and presented for passage. This, he thought, would be the opening wedge and it would serve to estimate the temper of the House. If this Bill should pass then other Bills might be brought on. The others would have wider scope.

I stated to the Speaker and Mr. McCormack that the attitude of the Department of State would probably find itself in support of a movement to permit the immigration and naturalization of persons resident in China and born in China to be admitted under the quota. This would probably admit as many as 100 or 150 a year and make them eligible to citizenship. However, the Department was very definite in its thought that the attitude of the House toward a proposal involving all of the parts of the proposed Bills or any of the general legislation on the subject should be estimated in advance and that the passage of the Bills be not presented unless the House would react favorably.

The conversation continued for more than an hour. Mr. McCormack continued to press his point of view.

The Speaker adopted the Department's point of view and stated that he would make some inquiry and would telephone me on Monday. It was doubtful in my mind whether he would be able to control the enthusiasm of the Majority Leader.

B[RECKINRIDGE] L[ONG]

151.10/1913

*Memorandum of Conversation, by the Adviser on Political Relations
(Hornbeck)*

[WASHINGTON,] May 29, 1943.

In pursuance of a decision arrived at in a conference in the Secretary's office on May 26 and under instruction from Mr. Long, I took advantage on the evening of May 27 of an opportunity casually to bring up this subject^s with the Chinese Ambassador.^{8a} In the course of a social conversation, I asked the Ambassador whether the Embassy had been observing the bills which had been introduced in the

^s i. e., immigration legislation in regard to the Chinese.

^{8a} Wei Tao-ming.

House of Representatives and the hearings which have been going on regarding the question of Chinese immigration into this country. The Ambassador replied that the Embassy had been following these matters closely. I asked whether he would be willing to give me his impressions. The Ambassador replied that his first impression was that there was a preponderance of friendly sentiment toward the Chinese; next, he said, the Embassy felt that the Kennedy bill had special merit because of its simplicity and its comprehensiveness; third, what the Chinese are most interested in was to get rid of discrimination and, fourth, the Chinese wondered whether it might not be possible for legislation on the lines of the Kennedy bill to be passed in the comparatively near future. This last point the Ambassador turned into a question: what did I think of the possibility of fairly prompt action.

Confronted with that question, I took occasion to say that, speaking informally and unofficially, I was by no means sure that anything could be done speedily. I said that it is an easy thing to introduce a bill but it is quite another thing to produce a bill which has the qualifications necessary for approval first in the committee and second in the Congress itself. The immigration question is, I said, a complicated question full of technicalities and weighted with the influence of history and considerations of regional experiences and concepts, political and other prejudices, economic and psychological facts and fancies. From the point of view of international relations, I said, it is highly desirable that such bill as may be approved in the committee and sent forward for consideration on the floor of the House and of the Senate be a bill which on the one hand will not provoke acrimonious discussion and on the other hand, no matter what the discussion, will not be defeated. I therefore thought, I said, that the committee would doubtless give any and all bills intensive scrutiny—which, I said, would require time.

The Ambassador said that he thoroughly understood and shared in the view that whatever bill received consideration of the Congress should be a bill that would not be defeated. He again mentioned the Kennedy bill and again expressed the hope that something could be done without great delay. I inquired who at the Embassy is following the matter most closely. The Ambassador replied that Dr. Liu, the Counselor, is giving the question special attention.

Comment: Except for the point of his apparent featuring of the Kennedy bill, the points which the Ambassador made are what I expected to hear. The Chinese Government is interested in removal of our discriminations against the Chinese as Chinese; they are eager for recognition, technical at least, of China and the Chinese on a

basis of "equality". The fact, however, that the Ambassador twice expressed a hope that something might be done without undue delay causes me to speculate as to the possibility that he had the present military and economic situation in unoccupied China—which situation is becoming acute especially from point of view of morale—much in mind. What the Ambassador said, together with other indications, causes me to believe that it is desirable from point of view of the war effort for us to work along as liberal lines as may be possible and as expeditiously as may be possible toward doing something constructive with regard to the solution of this question.

A clearer indication than was given by the Ambassador of what really is in the minds of the Chinese leaders is given in an excerpt—of which I shall attach hereto a copy⁹—of an address which Dr. Sze has prepared for delivery at Elmira College on May 31. Dr. Sze has lived more years of his life in this country than in any other. He had practically all of his education in this country. He has been both Chinese Minister and Chinese Ambassador to this country. He has during his life in Washington made many contacts among the membership of the Congress. He has worked on questions such as the question of Chinese "exclusion" for many years. He is now very close to China's Foreign Minister, Dr. T. V. Soong. I cannot imagine his making a public statement on the subject of the exclusion legislation without his having talked the matter over carefully with Soong and having weighed every word.—In Dr. Sze's statement emphasis is laid on the question of "discriminations which American law imposes upon Chinese as a race"; also upon treatment similar to that which is accorded to "the nationals of other countries". He says that "the Chinese do not ask that they be favored beyond other peoples"; "the matter has now become almost wholly one of national respect"; and he speaks of "several proposals of laws introduced in Congress for the complete repeal of all the provisions of the laws . . . which place Chinese in a position of inferiority of rights as compared with the other civilized races of the world"; and, finally, he says, "Perhaps . . . I should not have spoken of this matter, but, so important is it, that . . . I have felt that it was not out of place that I should make public mention of this matter when opportunity has presented itself".¹⁰ This has the ring, to my ears, of a statement of an official viewpoint.

[See excerpt appending.]¹¹

⁹ Not printed.

¹⁰ Omissions in this sentence indicated in the original.

¹¹ Brackets appear in the original.

151.10/1918

Memorandum of Telephone Conversation, by the Assistant Secretary of State (Long)

[WASHINGTON,] May 29, 1943.

Majority Leader McCormack called me by telephone today and told me that he had sounded out some of the members from the West Coast and they were not opposed to legislation during war-time admitting Chinese in limited quantities. He thought there would be a good deal of sentiment in the Congress for such legislation. He thought the Chinese Wives Bill could be reported out and passed.

I told him we had been giving serious consideration to the subject matter and wondered whether legislation would be agreeable if it placed the Chinese under the quota and repealed the discriminatory provisions of the Chinese Exclusion Laws. The legislation should also make Chinese admitted thereunder eligible to citizenship—the legislation would not affect Chinese persons now under the war-time jurisdiction of Japan.

He said that he thought there would be sentiment for such legislation and that it could be passed. I told him that it had been suggested I talk with Mr. Dickstein.¹² He suggested instead that I talk with the Speaker and with him.

I advised the Majority Leader that I would seek an engagement with the Speaker in the next few days for the purpose indicated.

B[RECKINRIDGE] L[ONG]

151.10/1918

Memorandum by the Assistant Secretary of State (Long)

[WASHINGTON,] June 1, 1943.

I met this morning with Speaker Rayburn and Majority Leader McCormack. They decided that they would call for this afternoon an executive meeting of the Democratic members of the Immigration Committee and they asked me to be present.

At three-thirty this afternoon I met with the Speaker, Majority Leader and the Democratic members of the Committee on Immigration, including Mr. Dickstein, the chairman, who had introduced two bills in the matter of Chinese immigration and exclusion now pending before this Committee. Also pending are two other measures. The Committee has been holding public sessions.

¹² Samuel Dickstein, Chairman of the Committee on Immigration and Naturalization of the House of Representatives.

The meeting proceeded to discuss the general principles involved without paying detailed attention to the technicalities of the situation. It soon developed that there was a very considerable disunity of opinion amongst the members of the Committee. Mr. Allen of Louisiana and Mr. McGehee of Mississippi were definitely opposed to any Chinese immigration or any other Oriental immigration. They expressed the thought that we had put up a Chinese wall and that if we battered one hole in the wall there would be a lot of other holes knocked in the wall and the result would be disastrous. They were adamant in their opposition.

Mr. Dickstein urged the passage of his bill to repeal the exclusion feature and the passage of another measure which provides for Chinese immigration on a quota basis. The Speaker was inclined to proceed to that extent. Mr. McCormack made a characteristically impassioned plea for immigration under the quota. Each member present spoke in varying degrees of assent or opposition.

I limited my remarks to the international political phases of the matter; painted the plight of China in her long standing military struggle with Japan and the difficulties she was encountering; I related the desire of the Chinese to be placed upon an equality with other nations; stated that their disappointment would be great if a bill was passed which did not give them that satisfaction; stated that the Department of State was not there to advise the Congress as to what it should do but to give the members of the Congress the benefit of our understanding of our international relations and the effect upon them of any measures that might pass; stated that it might be most unfortunate to bring out a bill for acrimonious debate—which would itself be bad—and have the bill defeated, which would mark a very decided worsening in our relations with China.

They all agreed that something should be done for China, though one of the members was very reluctant to say that he would support even the bill repealing exclusion. He stated that he would not vote against it if that was the desire of his colleagues present but would probably absent himself. He could not support the bill. Another member present stated that if a bill providing for Chinese immigration on a quota basis or any other limited basis were introduced into the House and up for discussion on the floor, he would propose an amendment to prohibit all immigration from all sources for a period of ten years.

There developed to be a strong sympathy for restricting immigration. Several members present, including the Speaker, were of the opinion that if such an amendment were proposed on the floor of the House it would probably carry.

In the course of the meeting there developed an entire disparity of thought with a certainty that any bill reported by the Committee would lack the support of some members of the Committee and that any provision for Chinese immigration under the quota or any other extent would find active opposition from at least five or six of the eleven present, with the chances in favor of eight or nine being opposed.

However, they each expressed their desire to make some gesture to China because of the war. They thought that if the Exclusion Act were repealed it would give the State Department an opportunity to counteract Japanese propaganda by stating that Chinese as such were no longer excluded. I questioned the value of any such measure.

Finally, the Speaker stated that it was his opinion that the meeting should come to a unanimous agreement to report out the Dickstein bill providing for repeal of exclusion, that bill to be passed under a rule which would prohibit debate, and that an attempt be made to secure the cooperation of the Republican leadership so that it could pass by unanimous consent. He asked each member of the Committee present if they could subscribe to such a course. With some reluctance one or two of them assented and the rest all agreed. Mr. Dickstein was entirely dissatisfied but said that he would go along.

It was decided that at the Committee meeting tomorrow there would be reported out the Dickstein bill repealing the Exclusion Act, with the support of all the Democratic members of the Committee and an effort on the part of the Democratic leadership to secure the collaboration of the Republican leadership, and the granting of a rule which would provide for a vote without debate.

I took no part in the decision and was simply there as announced and as above reported. An effort was made to elicit an expression of opinion for the Department of State as to whether the Department would support a limitation upon immigration from European countries provided a quota was assigned to China to the maximum of 50 persons per year. I replied that those were matters for the decision of the Congress and the Department of State was an executive authority which administered the laws passed by the Congress.

The meeting adjourned after an hour and a half of intense discussion.

B[RECKINRIDGE] L[ONG]

Mr. Dickstein later called me to state that he was not in the mood to report out his bill; he did not want his name to be on just an exclusion bill; that he felt very keenly on the question of immigration for the Chinese and the privilege of citizenship; that he thought he would not call a meeting of the Committee tomorrow and that he had asked for a meeting with the Majority Leader to discuss this matter with him.

I replied that if the bill was reported out and sent to the Senate there might be some amendments placed upon it in the Senate which the House could accept in conference and which would change the situation. I did not know how the Senate would feel toward this or any other such bill. I stated that I had thought that he had bound himself to support the program in the Committee and that I could not argue with him on that point or any other point involving legislative policy and that if he had any opinion to express he should present it to the Speaker and to the Majority Leader.

From his closing remarks I judged that he was temporarily excited and that he would probably be calmed down in conversation with the Majority Leader and would support the opinion of his colleagues at the conference this afternoon.

B[RECKINRIDGE] L[ONG]

151.10/1934

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] June 9, 1943.

The question of there being taken action by the American Government toward removing or relaxing the discriminatory features of this country's legislation and practices in regard to immigration of Chinese is one which now and henceforth until appropriate action has been taken this Government is and will be compelled to face. The Chinese have reached a point in their political evolution, and the spirit of nationalism has developed among them to a point from which it naturally and inevitably flows that they are taking and will increasingly take exception to situations and action in and on the part of other countries the implications of which are a political assessment of the Chinese race as "inferior" and of Chinese persons as "undesirables."

During the past forty years the Japanese, increasingly smarting under the grievance, as they saw it, of our discrimination against them as a race, made of this discrimination a diplomatic issue and used the fact of this discrimination as a springboard and a projectile of propaganda among their own people against the white race in general and the United States in particular. The burning hostility of such men as the late Admiral Yamamoto toward the United States, and the desire and intention and plans and efforts of such men to make war upon and defeat the United States were animated in no small part by their view of and emotions regarding this matter of discrimination on our part against the race of which they were and are members.

Until recently, the Chinese did not permit themselves greatly to be agitated on this subject. They had other and more practical prob-

lems, questions and issues over which to worry and with which to try to cope. They were conscious of their own comparative helplessness. They were confident of their inherent capacities and of the substantial quality of their culture. They regarded themselves as a "have" nation and, believing that they had it, they were not looking for a "place in the sun." Now, however, the Chinese are becoming increasingly conscious of various and sundry of the disagreeable realities of international relationships; they are becoming aware of disabilities which flow from discriminations; they are becoming desirous of wider, more effective, more influential contacts with and among the governments and peoples of other countries; they are taking stock of the potentialities of their huge manpower and their relatively rich resources; they have seen it demonstrated that liberty and freedom and equal rights, etc., etc. accrue to those who demand and insist upon having them; and they are fully committed to a course wherein they will increasingly resent and contend against discrimination against their race by other countries.

The sooner we, the Government and people of the United States, face this issue, the easier will it be, in terms of reasonable costs, for us to handle it in a manner least disadvantageous to ourselves and most politically advantageous to all concerned. The question, between ourselves and the Chinese, has not yet reached the stage where embitterment and inflamed prejudice stand in the way of arriving at a mutually acceptable solution.

The immediate problem so far as this country is concerned is that of so revising our laws and procedures as to eliminate discrimination against the Chinese and at the same time safeguard ourselves against a large influx of Chinese immigrants. It is readily possible to produce a legislative formula which will accomplish simultaneously both of these two objectives.

The practical political problem that confronts us is that of bringing about adoption by the Congress of such a formula.

Scrutiny of the contemporary situation leads to an impression that there is at present widespread popular opinion favorably disposed toward China and the Chinese; and that both the public and the majority of the members of Congress are favorably disposed in principle toward some action indicative of this country's admiration of and well wishes toward the Chinese as a fighting group whose interests and efforts are linked with ours in the conflict with the Axis powers and particularly with Japan. Further, there appears to be a substantial number of the members of the Congress, especially in the House, who would like to do something effective toward revising our legislation in the direction of removing our discriminations against

the Chinese. In the Committee on Immigration of the House there appears to be a majority of opinion favorable to removal of discriminations but apprehensive of a possible influx of a considerable number of Chinese and apprehensive of other aspects of the question of Oriental immigration; and in that Committee there is no majority of opinion favorable to any one specific proposal; and in that Committee there is a minority which is opposed to any revision whatever of our immigration legislation. There have come a number of indications that the Committee would welcome and appreciate guidance from the executive branch of the Government; especially from the Department of State and the Department of Justice. There has thus far been given more indication of willingness on the part of the Department of Justice than on the part of the Department of State to give guidance in this matter.

It is believed that this question is of importance from point of view of the current and the future influence of the United States in our relations not only with China but with other countries of Asia and of the world in general. It has been traditional in American pronouncements on the subject of foreign policy and international relations for us to talk of "equality of opportunity" and "equality of treatment". In recent years, and especially during the régime since 1933, we have especially emphasized those two principles. We have featured the concept underlying them by our participation in the formulating of the Atlantic Charter¹³ and the Declaration of the United Nations.¹⁴ We constantly refer to them either expressly or by implication in statements regarding postwar policy and intended practices. The Chinese are beginning to quote us in terms of "deeds are more important and more conclusive than words"; they are watching and scrutinizing our acts, our action of commission and our action of omission; they are calling upon us for performance. Their attitude toward us is going to be affected more and more by their view of the treatment which we accord or fail to accord them. This question of Chinese exclusion and of revision of or failure to make revision of our immigration laws in so far as the Chinese are affected is, therefore, of importance from point of view of foreign relations. It therefore would seem that the executive branch of the Government, and, in this situation, the Department of State in particular, should give an indication to the Congress of its views as to what it would be best for the Government of the United States to do in these premises.

¹³ Joint declaration by President Roosevelt and British Prime Minister Churchill, August 14, 1941, Department of State *Bulletin*, August 16, 1941, p. 125, or 55 Stat. 1603.

¹⁴ Dated January 1, 1942, Department of State Executive Agreement Series No. 236, or 55 Stat. 1600.

It is believed that with proper guidance from the two agencies best informed on the subject it could be brought about that the Committee on Immigration would produce and submit a bill which, in turn, could be discussed in the two Houses of Congress without arousing a great storm of opposition and with reasonable assurance of passage. Evidence with regard to consideration and discussion of this subject up to date is indicative of failure on the part of those who have expressed themselves in opposition to have considered on the one hand the limitations and safeguards which might be provided and on the other hand the advantages which might be obtained by open minded consideration of and passage of a well conceived bill.

It is believed that the administration's leaders in the Congress could without great effort be given, could easily grasp, and could easily impart an exposition of the ins and outs of the subject which would enable the majority to grasp the essential facts and cause them to give their voting support to a committee proposal favored by the administration for a meeting of the needs of the existing situation.

What the Chinese want has been well stated in public by Dr. Sze, formerly Minister and Ambassador to this country: "they . . . desire that they be not denied, as a race, rights that are granted by American law to nearly all the other races of the world. Thus, as regards immigration, the Chinese desire only that they be placed upon the quota basis of the general immigration policy which the United States has established for the coming of foreigners to this country. And, as regards naturalization, the Chinese Government . . . hopes that those Chinese who desire to become loyal American citizens may be permitted to do so as are permitted the nationals of other countries to do. So far as concerns the entrance of Chinese into this country, the matter has now become almost wholly one of national respect, since the placing of the Chinese upon a quota basis would result in the yearly admission of no more than an additional hundred of them. . . ." ¹⁵

In regard to a formula, there has been made a draft the features of which are: repeal of those provisions of our laws which prohibit expressly and by name immigration of Chinese, and establishment of a quota (which would make possible entry of about 105 persons) for Chinese.—We have intimations to the effect that such an arrangement would be acceptable to Chinese officialdom. And, arrangement of that sort certainly would establish an adequate safeguard against the various evils regarding which opponents thus far of action in this direction have expressed apprehensions.

S[TANLEY] K. H[ORNBECK]

¹⁵ Omissions in this paragraph indicated in the original.

151.10/1935

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] June 11, 1943.

The Chinese Ambassador called at his request. He took up the matter of securing passage through Congress of a bill to remove the Chinese Exclusion Act and establish a basis of equality of admission into this country in harmony with the treatment accorded nationals of other countries. He said that, while this arrangement would only permit one hundred Chinese to come in, it would establish a principle which would have a good psychological effect on the people of China. I replied that, of course, this Government, as the Ambassador well knows, is sympathetic with any measure on this subject that has any ordinary or reasonably fair chance of being passed by Congress. In other words, I said we do not desire to run the risk of misleading the Chinese and creating serious disappointment among them by publicly getting behind the proposal and representing that the measure has a fair chance of being passed by Congress when we know that its chances are not too good. Therefore, as true friends of China, we are keeping in the closest touch with Congress in the hope that some measure might be developed and passed which will be a step forward in removing the Exclusion Act.

The Ambassador mentioned a bill introduced by a Congressman from Texas,¹⁶ which he thought we might find it desirable to support, and accordingly he made a request to that effect. I replied that I would be only too glad to give every attention to this matter and I knew everyone in the Department would be glad to do the best possible in the circumstances.

C[ORDELL] H[ULL]

151.10/1967a

The Secretary of State to President Roosevelt

WASHINGTON, September 25, 1943.

MY DEAR MR. PRESIDENT: I am referring to your memorandum under date of August 23 and to the letter addressed to you by the Attorney General¹⁷ relating to H. R. 3070¹⁸ and to the general subject

¹⁶ Presumably a reference to H. R. 2942, a bill introduced by Representative Gossett of Texas on June 14, 1943 (78th Cong., 1st sess.), "to reduce immigration and to repeal the Chinese exclusion laws, to place Chinese on a quota basis, and to repeal the laws denying the Chinese the right to become citizens of the United States."

¹⁷ Neither printed.

¹⁸ A bill introduced by Representative Magnuson on June 29, 1943 (78th Cong., 1st sess.), "to repeal the Chinese exclusion acts, to establish quotas, and for other purposes."

of Chinese exclusion concerning which a number of bills have been introduced into the Congress.

The Department of State has been in sympathy with the movement to repeal the Exclusion Act and to include China in the provisions of the Immigration law¹⁹ under a quota as in the case of other nations with the thought that the immigration to be permitted under the quota would originate in China rather than consist of persons of the Chinese race who had been a long time resident in other countries.

Of the bills which have been introduced into the Congress on the general subject, H. R. 3070 and H. R. 2942 seem to more closely approximate the general objective.

The Department, however, has been seriously concerned with the possible unfortunate political repercussions upon our friendly relations with China if any of these bills should reach the floor of the House and there be the cause of acrimonious debate, which would in itself be bad, or possibly even suffer defeat—which would be most unfortunate. Consequently, I have caused one of the Assistant Secretaries to keep in very close touch with the leadership of the House as well as to maintain contacts with the leaders of the Senate in this particular. The Assistant Secretary has had a number of conferences with the Speaker, and with the Speaker and Majority Leader, and with both of them and the majority members of the Immigration Committee.

There have been public hearings before the Committee on Immigration and Naturalization of the House of Representatives. At the conclusion of the hearings a vote was taken by the Committee. By a vote of nine to eight the Committee adopted a motion which set aside the provisions of a bill to place China upon a quota basis and then voted by the same majority to report out a bill limited to the question of dealing solely with the repeal of the Chinese exclusion laws and the abrogation of the Immigration Treaty of 1880 with China²⁰ but which did not permit of a quota being established for China or China [*sic*]. At about the same time statements were made by certain members of the Congress to officers of the Department indicating that the bills mentioned had little chance of passage.

During the early part of the summer the leadership in the House expressed the feeling that caution was an essential part of the program at that time and suggested the impracticability of favorable positive action under the circumstances then existing which circumstances would continue until the beginning of the summer recess. It was

¹⁹ Approved May 26, 1924; 43 Stat. 153.

²⁰ Signed at Peking, November 17, 1880, William M. Malloy (ed.), *Treaties, Conventions, etc., Between the United States of America and Other Powers, 1776-1909* (Washington, Government Printing Office, 1910), vol. 1, p. 237.

thought at that time it would be advisable to postpone any further consideration of action until after the Congress reconvened.

Now that the Congress has reconvened I am causing the matter to be taken up again with the appropriate leaders with the hope that the situation may have changed to such an extent that it will seem to permit favorable consideration, but my deep concern continues to be that a defeat on the floor of the Congress would have a very unfortunate effect upon our relations with the Chinese Government. Almost as unfortunate would be an acrimonious and bitter debate, which might result in passage by a small majority.

I shall do what may be possible to further the objective and will be glad to keep you advised.

Faithfully yours,

CORDELL HULL

151.10/1970₁

Memorandum of Conversation, by the Assistant Secretary of State (Long)

[WASHINGTON,] October 6, 1943.

I talked to Speaker Rayburn this morning on the subject of the Chinese immigration bill. He said that it would be up before the Immigration Committee this morning; that it was in good shape before the Committee but that there would be some opposition to it on the floor; that they could easily get a rule out of the Rules Committee; and that he thought it was in good shape, that there would be some opposition to it, and that a letter from the Secretary of State to be used on the floor would be very helpful.

I told him that I thought I could assure him that there would be such a letter at the appropriate time and that I would keep in touch with him in regard to it.

B[RECKINRIDGE] L[ONG]

151.10/1977

The Under Secretary of State (Stettinius) to the Speaker of the House of Representatives (Rayburn)

WASHINGTON, October 14, 1943.

MY DEAR MR. SPEAKER: As it is understood that H. R. 3070 on the subject of Chinese immigration has been reported favorably by the Committee on Immigration and Naturalization and will be discussed shortly on the floor of the House, you may wish to have the views of the Department of State regarding the measure.

Because of the traditional friendship between the United States and China, and because of the many interests which the United States and China now have in common in the prosecution of the war and will have in the future, the Department is most desirous of promoting cordial relations between the two countries.

It is believed that it would be most conducive to this end to remove immigration and naturalization discriminations against the Chinese which have been a source of misunderstandings between the United States and China for many years. It will be recalled that the United States has already voluntarily relinquished extraterritorial jurisdiction over American citizens in China.²¹ This action was most favorably received by the Chinese. It is only fitting that the further step of removing additional discriminations should now be taken in recognition of China's place among the United Nations fighting for democracy and of her great future in a democratic world.

Such recognition cannot fail to give added inspiration to our Chinese allies in their heroic struggle against the enemy seeking to destroy her and to nullify the efforts of this enemy to spread false propaganda regarding the attitude of the United States towards China.

The Chinese exclusion laws were enacted prior to the adoption of provisions to restrict immigration by the quota system. By placing the Chinese on a quota, under the system applied to other countries, and by granting rights of naturalization to Chinese admitted lawfully as immigrants, discriminations will be eliminated and China will be accorded the recognition due her as a great nation, subject to such quota immigration restrictions as the Congress may from time to time impose.

The Department cannot urge too strongly that it is the part of sound practical policy to eliminate discriminations which, unless removed, tend to impede this country in its relations with China during the war period and afterwards in the development of trade and cultural intercourse.

It is also the part of far-seeing wisdom to make manifest in this way our traditional friendship with China, the great country of the Orient whose destiny is to participate equally with other democratic nations in fostering a civilization based upon democratic ideals and to stand as a bulwark against evil forces of destruction.

Sincerely yours,

EDWARD R. STETTINIUS, JR.

²¹ See bracketed note, p. 690.

893.9111/84 : Telegram

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

CHUNGKING, October 25, 1943—1 p. m.

[Received 1:03 p. m.]

2017. *Central Daily News*, semi-official Government organ, yesterday published Chinese editorial discussing Chinese Exclusion Act which while otherwise unobjectionable closed with a statement regarding future Sino-American collaboration which is translated as follows: "Whether or not the two great nations China and the United States can genuinely shoulder to shoulder and hand in hand undertake the mission of this great epoch will depend on whether or not the Magnuson bill can pass the Senate."

Hollington Tong of Ministry of Information urgently contacted OWI²² representative here asking that editorial be not cabled to United States and that OWI make similar request of me. OWI was told Gissimo²³ was angry over editorial and had ordered court martial of editor. Later OWI was asked not to repeat this information to me.

Tong later called on me and expressed regret at publication of editorial saying it does not represent opinion or spirit of Chinese Government, the Party, or the people. He did not disclose at whose instance he called.

I told Tong we sometimes report summaries of editorials for information of Department²⁴ but not with purpose of their republication in American press, that I had not yet received full translation of editorial, and that I could not say whether I would report it to Department. He asked if I reported I add his statement as set out in above paragraph.

GAUSS

151.10/1980a : Telegram

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

WASHINGTON, October 27, 1943—10 p. m.

1536. On October 21 House of Representatives by voice vote passed legislation permitting immigration of Chinese into the United States on a quota basis and allowing Chinese legally admitted to the United States for permanent residence to become American citizens. See

²² Office of War Information.²³ Generalissimo Chiang Kai-shek, President of the National Government of China.²⁴ Embassy telegrams nos. 592, 770, and 824, April 24, May 24, and May 31, respectively, reporting Chinese editorial comment in favor of repeal by the United States of laws excluding Chinese, not printed.

Department's 1468, October 12, 5 p. m.²⁵ Prospects appear good for early action in the Senate.²⁶

STETTINIUS

151.10/1989 : Telegram

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

CHUNGKING, November 30, 1943.

[Received November 30—2:50 p. m.]

2290. Following is substance of statement by Government spokesman November 30 on repeal of Exclusion Act: Repeal of Exclusion Act is source of profound gratification to Chinese people. Congressional action supported by President Roosevelt will remove long standing anachronisms by according Chinese citizens treatment under immigration and naturalization laws similar to that accorded citizens other friendly nations. Action taken will further strengthen mutual confidence and friendship. Results are of great moral significance and take away from Japs powerful propaganda weapon.

China Times comments action has not only corrected historic mistake but also laid foundation for real everlasting friendship between China and United States. *National Herald* states action will meet popular acclaim and intensify feeling friendship felt by Chinese people for American people and views step as marking end of epoch; approves sentimentality causing American people take this action and expresses opinion such sentimentality toward China exists in other nations and should be encouraged. *Ta Kung Pao* views action as conforming with standards of morality of United Nations; as way to spiritual disarmament of Japan by removing propaganda weapon and as attainment of justice and righteousness. Dr. Sun Fo²⁷ in broadcast to American people stated importance of action lies in principle of equality and in cessation of discrimination against Chinese race and repeal of law has reaffirmed China's faith in American fair play and friendship.

GAUSS

151.10/2003a : Telegram

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

WASHINGTON, December 18, 1943.

1819. On December 17, 1943 the President approved an Act of Congress, Public 199,²⁸ of which Section 1 repeals the Chinese exclu-

²⁵ Not printed.

²⁶ On November 26, the Senate passed by voice vote the act relating to immigration of Chinese into the United States.

²⁷ President of Chinese Legislative Yuan.

²⁸ 57 Stat. 600.

sion laws, Section 2 establishes an immigration quota for Chinese (which has been computed at 105 annually) and provides a preference of seventy-five per centum for Chinese born and resident in China, and Section 3 establishes eligibility to citizenship for Chinese persons and persons of Chinese descent.

All Chinese persons regardless of country of birth are chargeable to the Chinese racial quota except following nonquota categories: Returning permanent resident aliens Section 4 (*b*) Immigration Act of 1924,²⁹ ministers or professors and their families Section 4 (*d*), students Section 4 (*e*), former American women Section 4 (*f*).

The term Chinese person means a person who is of as much as one-half Chinese blood and is not of as much as one-half blood of race ineligible to citizenship.

The question of eligibility to citizenship of persons having less than one-half Chinese blood and an admixture of less than one-half ineligible blood is receiving consideration. You will be instructed later regarding such persons.

The quota for Chinese will not disturb quota of 100 for China to which are chargeable aliens born in China who are eligible to citizenship under laws in force prior to this Act.

[Here follow procedural instructions.]

HULL

²⁹ Approved May 26, 1924; 43 Stat. 153.

NEGOTIATIONS WITH RESPECT TO THE TREATMENT OF CHINESE SEAMEN IN AMERICAN PORTS

151.10/1833

*Memorandum by Miss Ruth E. Bacon of the Division of Far Eastern
Affairs*

[WASHINGTON,] June 4, 1942.

TREATMENT OF CHINESE SEAMEN IN AMERICAN PORTS

Recently two incidents have occurred in New York harbor involving the killing or serious injury of members of Chinese crews on board foreign vessels who were attempting to land, allegedly in contravention of American immigration regulations.

On April 11, 1942, according to press reports, the Chinese crew on board a foreign vessel in New York harbor threatened the captain of the vessel because of his refusal to permit the crew to land and the captain fired, killing one of the Chinese crew. The vessel in question had left Singapore in September and had been lying in New York harbor since November, the crew being permitted one shore leave apiece in the interval. The captain reportedly stated that immigration regulations forbade the crew from going ashore and that the steamship company would be heavily fined if the Chinese crew were permitted to land.

On June 4, 1942, according to press reports, two Chinese seamen from a freighter in New York harbor were shot and seriously wounded by a steamship company guard, when they, with other members of the crew, attempted to force their way ashore after permission to leave the pier had been refused. After the shooting, the crew was forced back to its ship at pistol point.

The following comment upon these incidents is offered:

1. According to information from IN,¹ there is no legal provision barring the landing for shore leave of properly documented, bona fide Chinese seamen, and there is no discrimination by American authorities against such seamen. According to the regulations of November 19, 1941, as amended on January 14, 1942 regarding aliens entering the United States (Section 58.54), "in addition to all other requirements, no non-resident alien seaman employed on any vessel

¹ Division of International Communications.

arriving in the United States from any place outside thereof shall be granted shore leave or be permitted to go ashore in the United States except with the approval of the master and in the discretion of the immigration officials at the port of arrival acting under authority of the Attorney-General . . .”² It therefore appears that wide discretion in the matter is left with the masters and the immigration officials and it is probable, according to IN, that the documents of Chinese seamen might be more carefully scrutinized by immigration officials than are the documents of seamen of non-Oriental races.

2. Although from a strictly technical point of view there may be no discrimination against Chinese crews on vessels in American ports, it is evident, from the circumstances of the two incidents referred to and from press comment that Chinese crews on one basis or another are denied over long periods the right to land even for shore leave and that the opinion is prevalent that practical discrimination against Chinese crews does exist on a wide scale.

Such a situation is evidently undesirable for humanitarian reasons; for political reasons, because China is a United Nation and because the Axis is seeking for material to create the impression in the Far East that the “four freedoms” are meaningless and that the United States is racially prejudiced against all Oriental peoples; and for strategic reasons because an adequate supply of loyal seamen who are willing to take the risks of shipping on freighters and tankers is vital to the maintenance of our supply lines and to the success of the war.

3. It is recognized that any efforts to ameliorate this situation must take into account several important factors, including the following:

(a) Chinese crews have more reason to desire to jump ship in American ports than crews of non-Oriental race because Chinese seamen as a group are paid lower wages and given less endurable living conditions than are other crews. Moreover, under existing conditions, Chinese seamen can have little present hope of returning to their homeland.

(b) Chinese seamen who do attempt to jump ship are more difficult to locate and deport than are non-Oriental seamen.

(c) As Chinese seamen belong to an “excluded” race under the immigration laws, the immigration authorities might not unnaturally feel a special responsibility for preventing the landing of such persons if there is any reason to believe that the seamen may jump ship.

4. The president of the Chinese Association of Labor, Mr. Chu Hsueh-fan, has stated, according to the press, “that ship desertions by all nationalities had assumed grave proportions”, that there were about 10,000 deserting seamen at large in the United States, and that statistics for New York harbor for March showed that Chinese desertions represented only 16% of the total desertions for the period.

² Omission indicated in the original.

Recently an agreement was reportedly signed between the British and Chinese authorities concerned making provision for an improvement of the situation of Chinese seamen serving on British vessels, including an increase in wages and arrangements with regard to a temporary stay in England after the completion of the term of a seaman's contract.

5. In the light of all these considerations, it is suggested that if a serious study of the situation of Chinese seamen in American ports has not already been begun, it should be urgently undertaken with a view to establishing fully the facts and considering what steps might reasonably be taken toward improvement. Question is raised:

(a) Whether a more adequate procedure for the documentation of Chinese seamen under existing war conditions might not be worked out so that they might be permitted in all cases reasonable shore leave if the vessels are unavoidably detained for long periods in American ports.

(b) Whether any steps might usefully be taken analogous to those recently taken between the British and Chinese authorities for working out an agreement upon conditions governing Chinese crews landing temporarily in American ports.

(c) Whether the existing situation might advisedly be brought to the attention of the immigration authorities in this country with a view to liberalizing wherever feasible the procedure in connection with Chinese seamen.

(d) Whether any steps could be taken toward providing more adequate welfare facilities in American ports for dealing with Chinese seamen.

It is suggested, also, that possibly this question is one which might usefully be brought before the Inter-Departmental Committee on Merchant Seamen, of which it is understood Mr. Saugstad of IN is a member.

151.10/1834

Memorandum by Mr. George L. Brandt^{2a} *to the Assistant Secretary of State (Long)*

[WASHINGTON,] August 7, 1942.

As directed by you, I called a meeting some time ago of Mr. Falck of IN, Mr. Flournoy of LE,³ Messrs. Alexander and Hunt of VD⁴ and Mr. Atcheson of FE,⁵ in my office, to consider the question of the treatment of Chinese seamen arriving in American ports. Mr. Falck informed us that representatives of the War Shipping Administration were having conferences with the Immigration officials to determine

^{2a} Executive Assistant to Assistant Secretary of State Long.

³ Office of the Legal Adviser.

⁴ Visa Division.

⁵ Division of Far Eastern Affairs.

what steps might be taken to insure better treatment for Chinese seamen and avoidance of incidents such as the shooting of Chinese seamen who attempted to go ashore at New York in April last after having been refused shore leave for a long time while the vessel was in port. Mr. Burke of IN sent me the attached memorandum on July 21,⁶ stating the results of the conferences of the War Shipping and Immigration officials on the subject. It appears therefrom that shore leave privileges for Chinese seamen are to be equalized with those for other alien seamen on a trial basis for two months, that the British and Dutch have increased wages for Chinese seamen to practically a parity with the wages of other seamen and that several other measures, as indicated in Mr. Burke's memorandum, have been taken to ameliorate the situation of Chinese seamen. So far as I can see, all that is practicable and possible for the time being has been done accordingly in behalf of Chinese seamen. You may wish to send this along to PA/H,⁷ FE, LE, VD and IN for their notation.

893.86/5a

The Assistant Secretary of State (Berle) to the Mayor of the City of New York (La Guardia)

WASHINGTON, January 4, 1943.

DEAR FIORELLO: I wonder if you could lend a hand on something that is worrying us.

We have had seamen deserting from Allied ships, and have cleaned up the situation in one way or another. We are now down to the last main problem which is that of the Chinese seamen. They desert pretty regularly. They are mainly employed on British ships. The pay is not equal to the British but under some help from us, it is not very far away from it. The British seamen get \$72 per month; the Chinese \$68.

The Immigration people report that the real reason for desertion is that they are wanted for labor in Chinatown where wages are higher than on British ships, especially as labor gets increasingly tight. The Chinese Consul General in New York probably is standing in with the restaurant keepers and laundrymen who are the principal employers of these deserting seamen.

Marshall Dimock of the War Shipping Administration thinks that something could be done if we could rally the Chinese in Chinatown and have them lend a hand in sending the sailors back to work. Since the Chinese Consul General can't help, this means we should have to

⁶ Not printed.

⁷ Office of the Adviser on Political Relations (Hornbeck).

find somebody familiar with the community who was in sympathy with the war and would lend a hand. Do you think that you or the Police Department or anyone up there could suggest a way to begin?

The subject is important. There are four ships presently held up in New York harbor because part of their Chinese crews have deserted; and almost without exception these ships are carrying supplies and troops to our own boys in North Africa.

The only other alternative is to go at it hammer and tongs and allow no Chinese crews ashore, which probably would get results, and incidentally make very bad feeling with Chungking.

You may have some ways to suggest that would help us to get the Chinese community in New York to look into this.

With kind regards [etc.]

A. A. BERLE, JR.

893.86/51

The Mayor of the City of New York (La Guardia) to the Secretary of State

NEW YORK, N. Y., January 18, 1943.

Att: Hon. A. A. Berle, Assistant Secretary of State

MY DEAR MR. SECRETARY: I have a communication from the Department of State dated January 1 [4], 1943, requesting that I "lend a hand" in the deserting Chinese seamen situation. As always, I am happy to be of assistance to the Department of State although I do not enjoy extra-territoriality which, perhaps, would solve this problem very easily.

Frankly, there are two sides to this question, and something must be done to protect Chinese seamen shipping on foreign vessels. I am convinced that the British Government is not only concerned but really intends to protect Chinese seamen shipping on British ships. The fact is, however, that either agencies of the Government or private steamship companies have been guilty of the most unpardonable and cruel treatment of these men. In the first place, there are instances where no record is taken of the seaman's next of kin, and therefore apparent that there is no intent to pay such next of kin the war risk compensation in the event of death. Then, another point which I believe is justified: there should be no difference in allowance made for death compensation between seamen. If these men ship on British ships, they should get the same death benefits as are given to any other seamen on the same ship.

As you state, the compensation has been fixed for an ordinary seaman at \$68 a month, but most of the deserters in this port have never re-

ceived that rate of pay. What is more, many of them have pay coming to them and are unable to collect. The treatment on board ship of Chinese seamen is quite different from that of others and it goes without saying that in this day and age everyone on the ship should be treated alike.

I had a conference in my office at which Mr. Marshall E. Dimock of the U. S. War Shipping Administration sat in. At this conference, I invited representatives of the Chinese Chamber of Commerce, various fraternal organizations, businessmen and representatives of the Chinese press. Mr. Dimock was most helpful and forthright. Many of the complaints he acknowledged were justified. Confidentially, a threat of a round-up with subsequent internment would be far more preferable to these Chinese seamen than going back to their ships under the old conditions. Our local Chinese residents are willing to cooperate but something must be done to protect the rights of these men if they are really wanted and needed back on the ships. As I have said, internment is paradise to the hell that they have gone through.

Cases were cited of men whose ships had been torpedoed, and were saved, on coming out of the hospital and being brought to New York, were given \$5, and unable to collect their past due pay.

To come to the point, I have suggested the following plan, and I am sure that we will get full cooperation from our own Chinese residents and from the men themselves:

1. We must have some assurance from you that the British Government will keep proper records of the next of kin and assure compensation in case of death the same as given to British subjects.

2. That the rate of pay will actually be paid and that at the expiration of the present agreement, which expires in April, parity of pay will be provided.

3. The Chinese seamen in question will register at some place designated by the U.S. War Shipping Administration, and when they sign on, it will be under the supervision of an agency of the War Shipping Administration which will see that the rights of these men are fully protected. Mr. Dimock agrees to this.

4. I will immediately get in touch with the Seamen Service in this city to establish a Seamen's Club in or near the Chinese section of Manhattan. I understand funds are available for this purpose.

Therefore, may I suggest that the matter be taken up with British authorities, and on receipt of the assurance above indicated, I think we can get the whole matter in operation. The necessity of the reforms suggested is not only to care for the four hundred odd deserters now in this port, but to make certain that the several thousand Chinese seamen now on British ships will not desert on arriving at an American or friendly port.

I await your pleasure in the matter.

Sincerely yours,

F. LA GUARDIA

893.86/5½

The Assistant Secretary of State (Berle) to the Mayor of the City of New York (La Guardia)

WASHINGTON, January 21, 1943.

DEAR FIORELLO: Let me thank you for your courteous letter of January 18, 1943 and for your generous assistance in connection with the deserting Chinese sailors.

The War Shipping Administration which was represented at your conference is, as I understand, fully informed as to the proposed plan. We have asked them to work out the plan with the British, as they are in continuous and direct touch with the British shipping authorities. We shall hope to get some results.

As you accurately state, the real consideration is to make certain that approximately 10,000 Chinese seamen now on British ships will not desert when they arrive at an American port.

The Department is obliged to you for your intervention.

With kind regards [etc.]

ADOLF A. BERLE, JR.

893.865/2

Memorandum by the Assistant Chief of the Division of International Communications (Saugstad)

[WASHINGTON,] January 25, 1943.

The Chinese seaman problem which has existed for many years has been further complicated during the past several months by our relationship to China as a United Nation. Low wages paid by other United Nations to Chinese seamen and this Government's denial of shore leave to such seamen were considered to be the factors which to a large extent caused the discontent amounting sometimes to riot among Chinese seamen.

The British, Norwegian and Netherlands Governments raised the wages of Chinese seamen almost to the level of white seamen and this Government in August 1942 removed temporarily the shore-leave barriers so that Chinese were allowed to come ashore during the periods that their ships were in port.

According to Mr. Smith Simpson, Chief of the Allied Nations Division of the War Shipping Administration, the experiment has worked fairly well excepting in New York. There was at first trouble in San Francisco also but for the last two or three months the situation has been satisfactory.

Desertions of alien seamen in ports of the United States from October 3, 1942 to January 2, 1943 totaled 1471, as follows:

Chinese	476
British (including Lascars)	347
Norwegian	199
Dutch	62
Greek	59
Yugoslav	38
Belgian	14
Polish	12
Other	264

There are at present approximately 250 Chinese seamen detained by immigration authorities.

Mr. Simpson stated that on Saturday, January 16, Mr. Dimock of the Recruitment and Manning Organization, went to New York and discussed the situation with Mayor LaGuardia who offered to bring together Chinese businessmen he knew and lay the problem before them. The Mayor gave the Chinese twenty-one days to solve the problem. They promised to do everything they could.

It was also learned that a detained Chinese seaman at New York who entered the United States in 1941 is bringing suit under writ of habeas corpus contending that since he cannot be deported to China, he should not be held indefinitely. The District Attorney has taken the stand that a seaman, according to immigration laws, may be deported to the country from which he last came and that the "country from which he last came" may be the country where he signed on a ship. In a large number of cases this would be England. Therefore, if it is found that seamen may be deported to the country where they signed on a vessel, legislative action may not be necessary.

It is obvious that Chinese seamen who desert and disappear in New York or San Francisco are hindering rather than helping the war effort and the threat of deporting them to Great Britain might be an effective influence. On the other hand, it has been stated that Chinese seamen cause little or no trouble on American or Panamanian ships which pay higher wages. Whether this Government should pass legislation encouraging practices by other nations to which we ourselves do not subscribe and which are at the expense of other United Nations citizens should be given very careful consideration.

J. E. SAUGSTAD

893.865/2

*Memorandum of Conversation, by the Assistant Secretary of State
(Berle)*

[WASHINGTON,] February 4, 1943.

Participants: The Chinese Ambassador, Dr. Wei Tao-ming;
Minister Counselor, Mr. Liu Chieh;
Representative of Minister of Finance, Mr. T. M. Tsi;
The Attorney General, Mr. Francis Biddle;
Mr. A. A. Berle, Jr.

The Chinese Ambassador and his aides and the Attorney General met in my office, at the suggestion of the Attorney General. The purpose was to see whether the Chinese Ambassador would make any objection to the text of the proposed amendment to the Immigration Act.⁸ The purport of the amendment was to permit the Department of Justice to deport alien seamen who had illegally entered the United States, to the country of the flag of the ship in which they came, where it was impracticable to deport them to their own country. The effect of this would be to permit deportation of deserting Chinese seamen to Britain, because practically all such desertions are from British ships. As deserting Chinese seamen cannot be deported to China, without such an amendment in practice they remain here.

I began by stating the case, pointing out that the Embassy was thoroughly familiar with the problem, on which they had been working for months with the War Shipping Administration. We had hoped, by ameliorating the lot of the Chinese seamen, to reduce the desertion rate, and the Chinese Government had agreed to try to discourage desertions. As a result, the Chinese seamen were now very nearly on a parity with the British seamen, and arrangements were being made for their welfare here. Yet the desertions were continuing, and since the men could not be deported, it was necessary to change the law. In previous contacts, I pointed out, the Embassy had not taken a position.

The Attorney General thereupon explained the text and drift of the proposed amendment.

The Chinese Ambassador said that this was a difficult problem which they wished to regard as a whole, and that it had many phases. Particularly, he said that the War Shipping Administration had now promised to the Chinese Government a number of liberty ships, two of which might be delivered in the not distant future. Some 600 seamen had deserted and they could be used as crews on the ships. The real issue, he said, was not so much equality of pay as treatment

⁸ Approved May 26, 1924; 43 Stat. 153.

by the British officers. He thought that with patience a solution could be reached, especially after the liberty ships were delivered since Chinese seamen could then be used on Chinese ships.

I said at once that I did not think this Government could permit the question of liberty ships to be connected with the problem of handling deserting seamen. As the Ambassador knew, there were many thousand Chinese seamen on British ships. If the theory was that they could leave the British ships and await the delivery of American ships to China, the net result would be to tie up a British ship for every liberty ship furnished the Chinese. Plainly, this would gravely handicap the war effort.

The Ambassador made a second attempt to tie up the question of delivery of ships to China with the problem of dealing with deserting seamen, and got no encouragement from the Attorney General or from me. He evaded taking a clear position on the proposed amendment, bringing in the various grievances against British officers, and saying that the knowledge that Chinese seamen might be deported to Britain would, in his opinion, increase rather than decrease the difficulty.

The Attorney General then made a brief statement. He said he hoped the Ambassador would realize that it was very unusual to consult a foreign embassy in a matter of domestic legislation. He had asked this meeting because of the very great consideration they had for the Chinese Government and for the views of the Embassy, and because he did not wish it to be thought that any step was being taken to discriminate against the Chinese. He pointed out that the Department of Justice had taken the lead in endeavoring to ameliorate the position of the Chinese seamen when Mr. Marshall Dimock had worked on these matters; and had achieved a very considerable degree of success. As the situation now stood, every other seaman could be deported to England. The text of the amendment did not set up a special category for Chinese, since it applied to any seaman who could not be deported to his native country; it applied not merely to Chinese but to Swedes, Finns and Russians.

Answering a point that the Ambassador had made, namely, that in the case of other seamen deportation to England meant deportation to a country in which their governments-in-exile were situated, the Attorney General pointed out that this was not true of Swedes, Finns and Russians since none of them had governments-in-exile in Britain.

The Ambassador said that the Chinese could be deported to China by way of Karachi. I interposed that this would not help much, since Chinese seamen were guilty of desertion under British law and would be picked up at Karachi before they ever got to China.

The Counselor of Embassy inquired whether there were not maritime courts of countries having governments-in-exile in Britain, so that the seamen would then be tried in a maritime court of their own country. I answered that I was not wholly clear about the jurisdiction of maritime courts, but my understanding was that they had jurisdiction only over offenses committed on, or in respect of, ships of their own flag. A Norwegian seaman committing an offense on a Norwegian ship would be tried by a Norwegian maritime court. But if he deserted from a British ship he would be tried in a British court under British law. By consequence, the question of maritime courts did not seem to me to be relevant.

The Ambassador repeated somewhat vaguely his hope that an all around solution could be found, and said he would study the text and let us know.

The Attorney General emphasized the desire for speed. He pointed out that the War Shipping Administration was pressing for the legislation, and that the only effect of it was to restore a situation which had existed until a couple of habeas corpus cases had been decided, restricting the power of the Immigration authorities. Finally, he said that in situations of this kind they wanted not only to right the grievances of the seamen, but also to provide some method by which a satisfactory solution could be had.

A[DOLF] A. B[ERLE], JR.

893.865/3

The Chinese Ambassador (Wei) to the Assistant Secretary of State (Berle)

WASHINGTON, February 5, 1943.

MY DEAR MR. BERLE: I was glad to have the opportunity yesterday of discussing with you and the Attorney General the question of deportation of Chinese seamen in the United States. I have since carefully considered the matter and I feel that the position in which Chinese nationals now find themselves calls for special consideration from the standpoint of law enforcement in that they are prevented by circumstances of war to return to their own country. If they are made deportable to a third country contrary to the accepted practice of returning them to the country of origin, they are in fact made to suffer the consequences of *force majeure* and subjected to less favorable treatment than in normal times.

In regard to the question of Chinese seamen in general, I wish to assure you that the Chinese Government is most anxious to collaborate with the United States Government to find a satisfactory solution

and is taking steps in that direction. While I am able to appreciate the position taken by the Attorney General, I regret that I cannot subscribe to the course of action as contemplated in the proposed bill of amendment regarding deportation of aliens.

I shall be obliged if you will be so good as to convey to the Attorney General the above observations and my appreciation of his courtesy in affording me the opportunity of discussing the matter with him.

Very sincerely yours,

WEI TAO-MING

150.06/819

Memorandum by the Assistant Secretary of State (Berle) to the Under Secretary of State (Welles)

[WASHINGTON,] March 3, 1943.

I attended the executive session of the House Committee on Immigration and Naturalization. The hearing concerned an amendment to the immigration law permitting deportation of deserting seamen to the country of the vessel on which they had signed articles where they could not be deported to their own countries. In practice this means Chinese seamen.

The Maritime Commission took the laboring oar in urging the amendment—pointing out, among other things, that four ships actually carrying troops and supplies to North Africa had been held up by desertion, and that something had to be done about it. The Department of Justice joined in that view, though less strongly. When they got through, the committee asked the views of the Department. I said that we had given prayerful consideration to this. We wished to give the utmost recognition to the Chinese case. The real difficulty was that the Chinese sailors objected to working under British masters (*a*) because the wages and conditions were discriminatory, and (*b*) because there was a feeling of race prejudice.

I pointed out that during the past year we had worked with the British until the inequalities of pay, treatment, etc., were substantially removed. The race difference of course nobody could remove save through a long process of education.

I pointed out that the case of Chinese seamen was exactly the same as the case of all Allied seamen—many of whom had wished to desert here to get higher pay on American ships or in American munitions factories or to make illegal entry into the United States. We had virtually stopped this by removal of grievances and by deportation. In effect, therefore, the Chinese were now in a privileged position. This, of course, combined with the delay to our own ships, created a difficult situation.

I said that we had finally come to the conclusion that first things came first; that from the finding of facts as the Maritime Commission had stated them, namely, that our war effort was being jeopardized, we were forced to agree that the position taken by the Maritime Commission was right. Unless there was a victory, the Chinese worries about discrimination would cease to exist and the Nazis and the Japanese would do it for them. Further, the matter was, in essence, one of our own domestic law.

But, I said, the clauses drawn gave administrative discretion to the Attorney General. The Department of Justice had very courteously and faithfully worked with us in these matters in completest harmony. Both Justice and we agreed that the most sympathetic and favorable administration of the law was indicated, so that the Chinese position should be preserved up to the limit.

I noted that the Chinese had themselves agreed that there should be no desertions and were really embarrassed by their lack of ability to control their own men.

At the close of the testimony, the sole objector on the committee withdrew his objection. I gather, therefore, that the amendment will have the unanimous support of the committee, or at least of those members present.

A[DOLF] A. B[ERLE], JR.

150.06/818

*The Acting Secretary of State to the Chairman of the Senate
Committee on Immigration (Russell)*

WASHINGTON, March 10, 1943.

MY DEAR SENATOR RUSSELL: Your letter of February 26, 1943⁹ in which you enclose a copy of a proposed amendment¹⁰ to the immigration law extending the authority to deport aliens, has just come to my attention. It appears that your letter was misplaced in the division where the opening and sorting of mail takes place. I want to express my regret that this delay should occur.

In the opinion of the State Department the passage of this amendment to the immigration law appears to be of importance to the prosecution of the war effort. In effect it removes a discrimination which has existed in practice in favor of Chinese seamen and in the long run it can only work to the benefit of the Chinese Government and people.

⁹ Not printed.

¹⁰ H. R. 2076 (78th Cong., 1st sess.), "to authorize the deportation of aliens to countries allied with the United States."

On March 3, 1943, Assistant Secretary of State Berle, at my request, attended an executive session of the House Committee on Immigration and Naturalization which was considering the companion measure to the one discussed by you, and testified in general to the above effect.

Sincerely yours,

SUMNER WELLES

893.865/7

*Memorandum of Conversation, by the Assistant Secretary of State
(Berle)*

[WASHINGTON,] April 8, 1943.

The Chinese Ambassador came in to see me at his request. He referred to the legislation which the Maritime Commission had been sponsoring in respect to permitting deportation of Chinese seamen to the country of the registry of their ship, where they cannot be deported to their own country. He said that some indication had been given by Representative Halleck in the House of Representatives that the Chinese Embassy had consented to this, whereas they had not. I said I would endeavor to see what could be done and that I was unable to see how a misunderstanding could arise, since when we had been asked on the point by the House Committee, it had been made very clear that the Chinese Embassy, if asked, undoubtedly would not assent.

The Ambassador then said that this was a difficult business. They wanted to remove any discrimination as between British and Chinese seamen, after which they thought that the government would be in a stronger position to prevent desertions. But now only a narrow margin remained between the pay given to Chinese seamen and to British seamen and he thought that there was no real reason why the British Government, having taken a big step, should not take a little one. I told him that, as he knew, our steady policy had been to remove any discrimination, and indeed it was due to that that the discrepancy had been in a large measure removed. I said that as to the larger plans the Maritime Commission could not get itself into a position where Chinese seamen could desert without danger of deportation when every other seaman in the world had the same privilege.

The Ambassador said that he realized that we are in a difficult position as between the British and the Chinese Government, but he hoped for a general solution which might be helpful to the whole situation.

A[DOLF] A. B[ERLE], JR.

NOTE: What the Ambassador meant by the last statement was that the Chinese Government's bargaining power as against British would

be diminished if we enforced against the Chinese laws similar to those enforced against all other seamen. I am told that the Chinese Ambassador has made this point in conversation with the people of the Maritime Commission. We have endeavored to be cautious, lest the Chinese play the liberality of our laws against the British.

150.06/836

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] April 10, 1943.

The Chinese Ambassador called at his request and presented to me an *aide-mémoire*, copy of which is hereto attached. It relates to the deportation of Chinese seamen. He elaborated somewhat in oral conversation on the subject matter of this document. I thanked him and said it would be given fullest attention.

C[ORDELL] H[ULL]

[Annex]

The Chinese Ambassador (Wei) to the Secretary of State

AIDE-MÉMOIRE

1. The Chinese Ambassador begs to refer to the letter from the Acting Secretary of State dated March 10, 1943, which was read by Senator Russell on the floor of the Senate on April 9th, 1943, stating that the proposed amendment to the immigration law, entitled "Deportation of certain aliens" can only work to the benefit of the Chinese Government and people.

2. As the Chinese Ambassador had occasion to point out both verbally and in writing to the State Department, the Chinese Government cannot accept the view that Chinese citizens may be deported to any country other than that of their origin.

3. The Chinese Ambassador regrets that this matter has been raised at a time when the Chinese Government has approached the British Government for negotiations regarding the revision of the agreement regulating conditions of work and scale of wages of Chinese seamen employed on British ships. The Chinese Government is anxious that Chinese citizens should contribute to the common efforts of the United Nations and is prepared to undertake means of compulsion towards Chinese citizens not abiding by the terms of agreements when concluded, including even conscription.

4. Such agreements, however, can only be based on equality of treatment for Chinese citizens.

5. The legislation now before the Senate would, however, place new disability on Chinese citizens at a time when public opinion in China

expects Chinese citizens to be accorded equality of treatment as between Allies.

6. The Chinese Ambassador requests that the attitude of his Government be made clear to the Chairmen of the Senate Committees on Foreign Relations and Immigration before final action is taken.

[WASHINGTON,] April 10, 1943.

893.865/8

Memorandum of Telephone Conversation, by Mr. Troy L. Perkins of the Division of Far Eastern Affairs ¹¹

[WASHINGTON,] April 14, 1943.

Mr. Tsui ^{11a} of the Chinese Embassy telephoned Mr. Perkins on the morning of April 14 and said that he understood that the legislation relating to the deportation of seamen might be expected to be passed by Congress shortly. In view of the urgency of the matter, he said, the Chinese Embassy hoped that the State Department would do whatever it could to effect an amendment or change in the legislation in so far as it pertained to Chinese seamen. Mr. Tsui said that the Embassy regarded the legislation as unfair to Chinese seamen. He mentioned that the Chinese Ambassador was in New York at the moment.

Mr. Tsui was told that his message would be communicated to the officers of the Department who are handling the matter. Mr. Perkins gave Mr. Mundy of Mr. Berle's office the substance of the conversation with Mr. Tsui with the request that Mr. Berle be informed. Mr. Tsui's message was also communicated to Mr. Stone of the Secretary's office.

893.86/51

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] April 15, 1943.

In connection with the question of the Chinese seamen, there was held in Mr. Long's office yesterday a meeting at which there was lengthy discussion of the question what should be the attitude and the procedure of the Department in the presence of there being pending in Congress legislation and there having been received from the Chinese Embassy expressions of objection thereto.

¹¹ Initialed by the Chief of the Division (Hamilton).

^{11a} First Secretary of the Chinese Embassy.

This morning there came addressed to PA/H and to FE a memorandum¹² by Mr. Long to the effect that, in as much as matters relating to this question had been handled by Mr. Berle, he, Mr. Long, wished to refrain from action or participation in action regarding this subject and to have the handling of the matter remain with Mr. Berle.

This afternoon I spoke to Mr. Long about this. He said that he had spoken with Mr. Berle about it and that he had expressed to Mr. Berle the opinion that FE should be consulted.

For purposes of record, it needs to be stated that, although FE and PA/H have been consulted at some points regarding some features of this case, those offices were not consulted regarding and had no knowledge of the letter which went, over the signature of the Under Secretary, to Senator Russell under date of March 10 and that the representations which the Chinese Ambassador has made regarding this matter have been made directly to the Secretary and to Mr. Berle, whereas certain inquiries emanating from the Chinese Ambassador have been brought by a junior officer of the Embassy to FE.

Further for purposes of the record, it is the opinion of Messrs. Hamilton, Hiss and Hornbeck that the probably most expedient course which the American Government might pursue at this stage, from point of view of U. S. relations with China and U. S. relations with Great Britain would be to have the proposed legislation held in suspense and let further appropriate efforts be made to cause the British Government to raise the pay of Chinese seamen to equality with the pay of British seamen serving on British vessels and to bring about the return of Chinese seamen to the vessels on which they come to this country or to other vessels of the registries of those countries.

150.06/831

*Memorandum of Conversation, by the Assistant Secretary of State
(Berle)*

[WASHINGTON,] April 16, 1943.

Sir Arthur Salter¹³ came in to see me, at my request.

I said that he doubtless was aware of the state of the record in connection with the amendment to the Immigration Act. This permits deportation of deserting Chinese seamen, as well as other aliens, who cannot be deported to the country of which they are nationals.

I said, as he knew, the bill having been passed by the House and the Senate was now lying over on a motion to reconsider by Senator LaFollette.

¹² Not found in Department files.

¹³ Of the British Merchant Shipping Mission.

Sir Arthur said that he had followed the bill closely and knew the situation.

I then said that the Chinese Ambassador had presented a protest—a rather mild one to me, and a stronger one to the Secretary. We had this before us. I said that the ground for this protest was that Chinese seamen ought not to be deported, under these circumstances; and that the real issue was equality of treatment as between Chinese seamen and British seamen, serving on British boats. The actual difference in treatment between the two seemed not to be great; and I wished to inquire whether steps could not be taken quickly to equalize the difference.

I said that this seemed to me the only way of avoiding debate on the bill, which probably would consist in airing Chinese grievances against the British, and so forth—which would not be helpful in the general situation.

Sir Arthur said that he likewise had been considering the matter. He said that he had an opportunity to approach T. V. Soong¹⁴ on the matter; and that he proposed to do so in conjunction with Lord Halifax.¹⁵ He outlined a strictly personal idea as to how the matter might be handled, which, however, he asked me not to record, because he said that it was merely his personal idea and he had not cleared it with his Government.

I told him that I thought that the bill would lie in its present stage for ten days or two weeks, but probably not longer than that.

Sir Arthur said that he would keep me advised. I told him likewise that I would give him, for his confidential information, a copy of the protest which the Chinese had presented to us. I said that, plainly, we were in between, in a problem chiefly between the British and the Chinese.

Sir Arthur said that he realized this. He said, further, that they were concerned about two aspects of the matter. One was that the Chinese were in the position of having broken their contract and then asking for negotiations to revise it. Nevertheless, Sir Arthur was prepared to recommend waiving this feature and entering into negotiations with Soong. The other aspect was that while they were prepared to equate with the Chinese, they did not wish this to be used as forcing the British to equate their pay to the pay of all other United Nations seamen. He said that practically every nation when it came into the war had more or less frozen seamen's pay. The rates of pay largely reflected the date when the various countries had come into the war; since, between the time when Britain entered the war and the time when the other nations were attacked, their shipping had had the

¹⁴ Chinese Minister for Foreign Affairs, temporarily in the United States.

¹⁵ British Ambassador in the United States.

benefit of very high wartime earnings, which were reflected somewhat in the seamen's rate. He hoped it would be understood, therefore, that by endeavoring to equate with the Chinese this would not be used as a lever to force them to bring the British wage standard up to the standard of other countries.

He explained in some detail the technical difficulties about equating the British pay scale with the Chinese. The Chinese seamen get two months' bonus at the end of each year; whereas the British do not. The British pay insurance and otherwise pay for their own medical treatment; the Chinese pay no insurance and get free medical treatment. The British pay their expenses while ashore; the Chinese have their expenses paid for them. These, he said, would take more than ten days' time to work out; but he thought that a method might be worked out which would resolve the present debate.

I said I was glad he felt he could tackle it.

A[DOLF] A. B[ERLE], JR.

893.865/9

*Memorandum of Conversation, by Mr. Troy L. Perkins of the Division of Far Eastern Affairs*¹⁶

[WASHINGTON,] April 21, 1943.

Mr. Tsui called at the Department on the morning of April 21 and handed Mr. Perkins an informal typed statement which he stated could be used in lieu of an oral statement, and which he said was to be considered as in continuation of an *aide-mémoire* left with the Secretary by Ambassador Wei at the time of his April 10 call. The typed statement reads as follows:

"1. The Chinese Ambassador begs to refer to the request he made in his communication of April 10, 1943 that the observations of his government on H. R. 2076 should be communicated to the Chairmen of the Foreign Relations and Immigration Committees of the Senate.

"2. The Chinese Ambassador pointed out that negotiations have been engaged with the British Government in regard to providing equality of treatment in conditions of work and scale of wages for Chinese seamen.

"3. The Chinese Ambassador wishes now to communicate that these negotiations are being undertaken by the Minister for Foreign Affairs of China and the British Ambassador at Washington, and a definite conclusion is expected in a few days. The Chinese Ambassador would be very grateful if this information could also be conveyed to the two Chairmen of the Senate Committees."

¹⁶ Initialed by the Chief of the Division (Hamilton).

893.86/7

*Memorandum by the Under Secretary of State (Welles) to the
Assistant Secretary of State (Berle)*

[WASHINGTON,] May 28, 1943.

T. V. Soong came in to see me this morning and told me that he and Lord Leathers¹⁷ had agreed that Dr. Wellington Koo¹⁸ in London would reach an understanding with Lord Leathers, upon the latter's return, covering the question of the treatment of Chinese seamen. Dr. Soong told me that he believed that a satisfactory agreement would be reached in the immediate future, and that all the Chinese Government was endeavoring to obtain was the establishment of the principle of equality of treatment to be accorded Chinese seamen—not from the standpoint of pounds and shillings, but in the abstract. He asked if I would request you, consequently, to see if the pending legislation in the Senate could not be delayed in view of the probability that an agreement would soon be reached.

893.86/5

The Chinese Embassy to the Department of State

The following statement is issued by the Chinese Embassy simultaneously with the British Embassy:

The National Government of the Republic of China and the Government of the United Kingdom of Great Britain and Northern Ireland, having concluded an agreement in April 1942 in regard to terms and conditions of employment of Chinese seamen in British ships in accordance with the principle of equality of treatment with British seamen, and being desirous of maintaining the principle on which that agreement was based, have authorized their respective delegates in London to revise the terms and conditions of employment made under the agreement in the light of any alterations which have taken place since its conclusion and in order to make any adjustment which may now seem necessary for the purpose of giving full effect in the new circumstances to the principle of equality of treatment.

[WASHINGTON,] July 7, 1943.

¹⁷ British Minister of Supplies and Transportation.

¹⁸ Chinese Ambassador in the United Kingdom.

893.86/5

Memorandum by the Assistant Secretary of State (Berle)

[WASHINGTON,] July 8, 1943.

The matter of deserting Chinese seamen and legislation to rectify the situation seems now to be settled.

The British and the Chinese agreed on a joint statement which they issued yesterday (copy attached¹⁹). It says in substance that the two Governments have agreed with regard to terms and conditions of employment.

On this basis, the Congress has passed legislation²⁰ permitting deportation of Chinese seamen to India. While the legislation is not wholly satisfactory, it does permit the Department of Justice to deport Chinese seamen—via England if necessary, according to Justice—and they say they will do this.

All hands having agreed, there seems to be nothing further for us to do in the matter and we can consider it closed—unless of course the Chinese continue to desert.

T. V. Soong has indicated he will endeavor to withdraw the Chinese Consul in New York who has not been helpful in the matter.

A[DOLF] A. B[ERLE], JR.

893.86/8

The British Embassy to the Department of State

AIDE-MÉMOIRE

Discussions have been proceeding between His Majesty's Government in the United Kingdom, the Government of India and the Chinese Government regarding arrangements for the deportation from the United States to Ramgarh, India, with a view to their conscription into the Chinese armed forces, of Chinese seamen who have deserted their ships. These arrangements are in accordance with the recent law passed by Congress to amend the United States Immigration Law in respect of the deportation of alien seamen.

As will be seen from the attached copy²¹ of a letter from Mr. T. V. Soong to Lord Halifax, the Chinese Government are in agreement with the principle that Chinese deserters should be deported to India and there conscripted into the Chinese armed forces.

The Government of India have also agreed to the proposed arrangements, subject to the following conditions:

¹⁹ *Supra*.²⁰ Approved July 13, 1943; 57 Stat. 553.²¹ Not printed.

(i) Individuals deported to India must be of sufficiently high medical category to permit of their acceptance in the Chinese Army.

(ii) No individual whose history is doubtful from the point of view of security should be sent to India.

(iii) Assurance should be given to the Indian Government before the first party of Chinese deserters leaves a United States port that definite orders have been sent to Ramgarh to provide a Chinese military escort for the deserters on their arrival in India and to escort them from the port of arrival to Ramgarh.

(iv) Deserters should be sent in batches of twenty-five to thirty-five at a time under intimation to the Government of India.

His Majesty's Government would be grateful to the State Department if they could be empowered to assure the Government of India that the above conditions, to which they attach great importance, are acceptable to the United States authorities concerned and will be effected by them insofar as their co-operation may be necessary in carrying out the proposed arrangements. In view of the fact that the Chinese armed forces at Ramgarh are understood to be under the orders of General Stilwell,²² His Majesty's Government would also be grateful if General Stilwell could be urgently requested to confirm that arrangements will be made to provide Chinese military escorts for Chinese deserters at the port of arrival in India in accordance with the third of the stipulations mentioned in the preceding paragraph.

WASHINGTON, September 14, 1943.

893.86/5a : Telegram

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

WASHINGTON, September 25, 1943—2 p. m.

1364. Please communicate the following to General Stilwell and transmit his reply to the Department:

Agreement has been reached between British, Indian and Chinese governments for deportation from United States to Ramgarh, India with a view to their conscription into Chinese armed forces of Chinese seamen who have deserted their ships in United States ports. Proposed arrangements are in accordance with the recent law passed by Congress to amend United States immigration law in respect of deportation of alien seamen. The agreement of the Indian government is subject to following conditions: (1) Individuals deported to India must be of sufficiently high medical category to permit of their acceptance in the Chinese Army; (2) No individual whose history is doubtful from point of view of security should be sent to India; (3) Assurance should be given to the Indian Government before the first

²² Commanding General, United States Army Forces in China, Burma, and India.

party of Chinese deserters leaves a United States port that definite orders have been sent to Ramgarh to provide a Chinese military escort for the deserters on their arrival in India and to escort them from the port of arrival to Ramgarh; (4) Deserters should be sent in batches of twenty-five to thirty-five at a time under intimation to the Government of India.

Since the Chinese armed forces at Ramgarh are under your orders the Department would be grateful if you would advise whether the arrangements and the conditions proposed by the Indian government are acceptable to you and in particular whether you can give assurance that arrangements will be made to provide Chinese military escorts at the port of arrival in India, and how much advance notice you will require. An early reply would be appreciated.

HULL

893.86/6 : Telegram

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

CHUNGKING, October 4, 1943—9 a. m.

[Received 1:19 p. m.]

1851. Department's 1364, September 25, 2 p. m. Message communicated to Stilwell by letter September 28th. He replied under date of September 30th giving his personal views as follows:

"My experience with deserting seamen in India has not encouraged me to ask for more of them. We have our hands full without any extra complication and a man who will desert his ship will desert from the army. The reputation of the Chinese in India has to be carefully guarded since the British do not want them there anyway and an element of this type is sure to cause us trouble. I have had no information or instructions from the Chinese Government about the matter but if it is already settled, I have no choice but to accept it. I do not approve of the arrangement and believe it would be simpler and better for all concerned to put them into a concentration camp in the United States for the duration."

GAUSS

893.86/6 : Telegram

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

WASHINGTON, October 15, 1943—9 p. m.

1480. In view of General Stilwell's disinclination, as indicated in your 1851, October 4, 9 a. m., to receive deserting Chinese seamen into the forces under his command, it is suggested that you discuss this matter with Dr. Soong, who is thoroughly familiar with the

problem, and explore the possibility of the Chinese making some other arrangement for looking after deserting Chinese seamen who may be deported from this country to India.

HULL

893.86/10 : Telegram

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

CHUNGKING, October 23, 1943—9 a. m.

[Received October 23—7: 14 a. m.]

2008. Department's 1480, October 15. I took up this matter with Soong October 22. He stated that the arrangement outlined for the disposition of deserters in question had been approved personally by the Generalissimo and he would have to take the matter up with the General to see if another solution could be found.

GAUSS

893.86/10 : Telegram

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

WASHINGTON, November 1, 1943—2 p. m.

1567. With reference to the problem of the disposition of deserting Chinese seamen upon their deportation and arrival in India referred to in Embassy's 2008, October 23, 9 a. m., War Shipping Administration desires to know whether these men will be transferred upon debarkation in India to the Chinese unit at Ramgarh. War Shipping Administration states it is anxious to deport 20 or 25 deserters in accordance with provisions of legislation recently enacted by Congress and agreement between the Chinese, British, and ourselves, and that failure to take such action would seriously aggravate this problem.

STETTINIUS

893.86/11 : Telegram

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

CHUNGKING, November 12, 1943—7 p. m.

[Received November 13—7: 40 a. m.]

2141. Department's 1567, November 1. Soong informed me November 9 he had discussed matter with Generalissimo and suggested that if Stilwell did not want the seamen at Ramgarh they be flown to Kunming for induction there into Chinese army; Soong said there should not be many seamen involved—all that was needed was a gesture

and there would be no further desertions. After further discussion with Stilwell's headquarters we are now informed that, rather than use plane space for even one or two batches, Stilwell prefers to accept the antagonist [*sic*] batch of deserters at Ramgarh and will require a week or 10 days' notice of their arrival at debarkation point in order to arrange for Chinese military escort suggested by penultimate sentence Department's 1364, September 25.

GAUSS

APPLICABILITY OF THE SELECTIVE SERVICE ACT TO CHINESE STUDENTS IN THE UNITED STATES

811.2222 (1940)/3744

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

[WASHINGTON,] February 22, 1943.

During the course of a call Dr. Liu Chieh ¹ brought to my attention the situation of Chinese students in the United States under Selective Service requirements. Dr. Liu said that last May an arrangement had been worked out with the Selective Service whereby foreign students in the United States were exempted from military service in as much as such students were not regarded as residents of the United States. More recently, Dr. Liu said, an increasing number of students were writing to the Chinese Embassy reporting that local draft boards were asking them to call and the local draft boards were showing greater reluctance to continue to regard Chinese students as exempted from induction into the United States Army. Dr. Liu said that at times the Embassy took cases up with the Selective Service, that this was a somewhat cumbersome procedure, that in some cases exemptions had been granted by Selective Service up to June 30 of this year, but that the prospect of exemption after that time seemed to be less than it had been heretofore.

Dr. Liu said that according to an item in the press of several months ago an agreement had been made between this Government and the Mexican Government whereby Mexican students in the United States were exempted from Selective Service.²

Dr. Liu said that a few days ago the Chinese Embassy had received an instruction from the Chinese Government to take up with this Department the situation of Chinese students in the United States with a view to concluding some arrangement similar to that made between this Government and the Mexican Government whereby Chinese students in this country would continue to be exempted from Selective Service.

Dr. Liu emphasized that Chinese students pursuing their education in this country were in the eyes of the Chinese Government doing

¹ Minister Counselor of the Chinese Embassy.

² Probably a reference to article III of the Military Service Agreement between the United States and Mexico, signed at Mexico City, January 22, 1943, Department of State Executive Agreement Series No. 323, or 57 Stat. 973.

something which was quite important from point of view of China's war effort and the reconstruction period that would follow the war. Dr. Liu pointed out that a course of study which to this Government might not seem to be related directly to the war effort might be so related in the eyes of the Chinese Government. He referred to the fact that China had a great dearth of qualified, educated personnel in many lines. He stated that continuance of the education of Chinese who were studying here was a matter of importance to the Chinese Government.

He said that his approach related only to Chinese who were pursuing their studies here.

Dr. Liu expressed the hope that this matter might receive prompt attention.

I told Dr. Liu that I had no previous information in regard to the reported arrangement with the Mexican Government, that we would be glad to look into the question which he had raised, and that we would later get in touch with him in regard to the matter.

M[AXWELL] M. H[AMILTON]

811.2222 (1940)/3733b

The Secretary of State to the Chinese Ambassador (Wei)

WASHINGTON, March 10, 1943.

EXCELLENCY: I have the honor to refer to various discussions held between officers of the Department and of the Chinese Embassy on the subject of the obligations of Chinese nationals in the United States under the Selective Training and Service Act of 1940,³ as amended. It is understood that the Embassy is in doubt as to the applicability of that law to Chinese nationals and particularly to Chinese students. The following outline of the principal provisions of the selective service law is, therefore, furnished in order that the Embassy may be able properly to advise Chinese nationals in the United States.

The Selective Training and Service Act of 1940, as amended, a copy of which is enclosed for convenient reference, provides generally that all male American citizens and all male aliens residing in the United States who are between the ages of 18 and 65 shall register, and that all such persons between the ages of 18 and 45 shall be subject to military service. It should be noted, however, that the induction of men who are 38 years of age and over has been temporarily suspended.

³ Approved September 16, 1940; 54 Stat. 885.

In regard to the status of aliens in the United States, it should be noted that all such aliens who are residing in the United States and who are within the specified age limits are required to register and are liable for service unless they are within one of the classes specified in Section 5 of the Act. Certain aliens who were lawfully admitted into the United States may, under a procedure established by the Selective Service Regulations, have a determination made whether they are or are not "residing in the United States" within the meaning of the selective service law. Any alien who comes to the United States and remains longer than three months must either register or obtain from the appropriate local board of the Selective Service System a Certificate of Non-residence. The regulations require that the application for such certificate be filed by the alien within three months after the date of his entry into the United States, or within three months after persons of his age become liable for training and service by law, or prior to May 16, 1942, whichever is the later. Certificates of non-residence are generally issued for a limited length of time not exceeding six months, but an application for a new certificate may be made before the date of expiration of the old one.

With regard to Chinese students, it may be stated that certain arrangements have been made between the Selective Service System, the Department of State and the China Institute in America whereby the latter certifies to the bona fide student status and to the importance to the Government of China of the studies being undertaken by individual Chinese nationals; these assurances are given due weight by the Selective Service System in determining whether the individual in question is entitled to recognition as a person not "residing in the United States". It has been determined that those Chinese nationals who are receiving practical training in the United States cannot properly be regarded as non-residents; however, the assurances of the China Institute in America receive due consideration in determining whether occupational deferment may be granted. It may be added that there has been no difficulty in regard to Chinese students and Chinese nationals receiving advanced training, on whose behalf the China Institute in America gives the assurances referred to above, and there is no reason to believe that this situation will change, provided that the same strict tests continue to be applied by the China Institute before giving the assurances.

While this arrangement with the China Institute in America probably will be applicable only to a limited number of Chinese students and to certain other Chinese nationals, it should be understood that it is the privilege of any other Chinese national to avail himself of

the opportunity provided under the Selective Service Regulations to have a determination of his residence made.

The Department will be glad, in individual cases, to request the Selective Service System to review the file of any registrant who has experienced difficulties with his local board. In all such cases, however, full information should be furnished to the Department as to the number and address of the local board concerned, together with such data concerning the registrant as may be pertinent, including the date of his arrival in the United States, his status under the immigration laws, his occupation, age, and, if he failed to apply for a determination of his residence within the period of time prescribed by the Selective Service Regulations, the reason for such delay. This information should be furnished to the Department in a memorandum or note.

It will be observed from the foregoing that, with the exception of those groups of persons who are specifically exempt from registration and service under the Selective Training and Service Act of 1940, as amended, and of those aliens who are found upon application not to be "residing in the United States", all other male Chinese nationals between the ages of 18 and 65 are required to register and that those between the ages of 18 and 45 are subject to military service if called by their local boards.

It is understood that a directive has recently been issued by the Selective Service System to local boards to the effect that consideration be given in the classification of Chinese registrants to contributions that may have regularly been made by the registrants to dependents residing in China. Under this directive the boards have been authorized to place in Class III-A or Class III-B Chinese registrants who prove to the satisfaction of the board that they have been contributing regularly substantial sums to dependents residing in China. It is believed that the Selective Service System is aware of the special circumstances relating to Chinese nationals, since this directive represents a departure from the regular procedure applying uniformly to all aliens other than Chinese. The Department understands, however, that this directive is subject to cancellation at any time. Therefore, it would appear desirable that both the Embassy and the Chinese Consular offices in the United States cooperate in calling to the attention of Chinese nationals that it will be necessary for them to comply with orders issued by their draft boards.

The foregoing information is being brought to your attention as of assistance in bringing about satisfactory adjustments with reference to various of the questions which officials of the Embassy have brought informally to the attention of officers of the Department, including questions relating to Chinese students in this country. It is

the hope of the Department that in the light of this information it may also be possible for the Embassy to take such action as you may deem appropriate toward achieving a reduction in the number of Chinese registrants now being listed by the Selective Service boards as delinquents. I may assure you that the Department will be pleased to cooperate with you in this matter, and that it will be pleased to arrange for a discussion of the problem between officers of the Embassy, of the Department and of the Selective Service System if you believe that such a discussion would be fruitful in achieving the desired results.

Accept [etc.]

For the Secretary of State:
G. HOWLAND SHAW

REFUSAL OF THE UNITED STATES TO PERMIT THE RELAY OF CHINESE BROADCASTS TO SOUTH AMERICAN COUNTRIES THROUGH THE UNITED STATES

893.76/140

The Chinese Ambassador (Wei) to the Secretary of State

The Chinese Ambassador presents his compliments to the Secretary of State and has the honor to inform him that the Chinese Central Broadcasting Station plans to send a daily ten minute broadcast in Spanish from Chungking to the countries in South America. But the Chinese station, XGOY, is not strong enough to reach South America. It is suggested that the broadcast may be relayed via San Francisco through the courtesy of the American short-wave station, KWID.

The Ambassador will be greatly obliged if the Secretary will be good enough to inquire of the Coordinator of Inter-American Affairs whether an arrangement could be made to relay the ten minute broadcast from Chungking every day.

WASHINGTON, July 4, 1943.

893.76/140

The Secretary of State to the Chinese Ambassador (Wei)

The Secretary of State presents his compliments to His Excellency the Ambassador of China and has the honor to refer to his note of July 4, 1943 concerning plans of the Chinese Central Broadcasting Station to send a daily ten minute broadcast in Spanish from Chungking to the countries of South America. The note suggests that the proposed broadcast might be relayed via the American shortwave station, KWID, in San Francisco in as much as the Chinese station, XGOY, is not sufficiently powerful to reach South America directly.

The Department desires to inform His Excellency that it is contrary to the policy of this Government to make available the facilities of shortwave radio stations controlled by this Government for the relaying of regular or continuing series of broadcasts originating in a foreign country and directed towards other foreign countries. It is regretted, therefore, that it is not possible to make arrangements for the relay of daily programs from Chungking to the other American republics as suggested in the Ambassador's note.

WASHINGTON, August 19, 1943.

ASSISTANCE BY THE UNITED STATES IN SECURING ADMIS-
SION OF CHINA AS A SIGNATORY TO THE FOUR-
POWER DECLARATION ON GENERAL SECURITY,
SIGNED AT THE MEETING OF FOREIGN MINISTERS IN
MOSCOW

740.00119 Military Political Commission/1a

The Department of State to the Embassy in China

WASHINGTON, September 24, 1943.

There are attached hereto, for the information of the Ambassador,¹ a copy of a "Tentative Draft of a Joint Four-Power Declaration" which was handed to Dr. Soong² on September 21 in the strictest confidence, together with a copy of an "oral statement" in record of what was said to Dr. Soong in connection with this document.

Dr. Soong expressed the opinion that communication of the tentative draft to him would suffice for and should be considered as communication of the matter to his Government. Dr. Soong said further that he was leaving Washington for Chungking the following week and that he would undertake to communicate with Chungking. Subsequently it was suggested to Dr. Soong that for reasons of security he might wish to limit himself to taking the documents under reference with him to Chungking without having communicated them to his Government by telegraphic means. In response Dr. Soong said that he would take the papers with him on his person. (He did not, however, indicate whether he would or would not telegraph regarding them.)

It is not desired that the Embassy take any initiative in the matter. The copies of the documents under reference are transmitted to the Ambassador for his information in the event that the matter is taken up with him by appropriate officials of the Chinese Government. In the event of such an approach to the Ambassador, the Ambassador should communicate full particulars and his comments to the Department, taking special precautions as to the security of the method and substance of communication.

¹ Clarence E. Gauss.

² T. V. Soong, Chinese Minister for Foreign Affairs.

[Enclosure 1]

*Oral Statement by the Adviser on Political Relations (Hornbeck)
to the Chinese Minister for Foreign Affairs (Soong)*

[WASHINGTON,] September 20, 1943.

The paper here attached³ is, as indicated, a tentative draft of a possible declaration to be made jointly by the four powers indicated.

Copies of this paper are being communicated to the British, the Soviet Union and the Chinese Governments.

Proposal is being made to the British and the Soviet Union Governments that consideration of this project be made an item on the agenda of the forthcoming Tripartite Conference.

Any expression of its views or comments that the Chinese Government may feel constrained to make to the American Government would be welcomed.

An indication of Dr. Soong's views regarding the best method of communicating with his Government regarding this matter is requested.

[Enclosure 2]

Tentative Draft of a Joint Four-Power Declaration

The Governments of the United States, Great Britain, the Soviet Union and China:

united in their determination, in accordance with the Declaration by the United Nations of January 1, 1942,⁴ and subsequent declarations, to continue hostilities against those Axis powers with which they respectively are at war until such powers have laid down their arms on the basis of unconditional surrender;

conscious of their responsibility to secure the liberation of themselves and the peoples allied with them from the menace of aggression;

recognizing the necessity of ensuring a rapid and orderly transition from war to peace and of establishing and maintaining international peace and security with the least diversion of the world's human and economic resources for armaments;

jointly declare:

1. That their united action, pledged for the prosecution of the war, will be continued for the organization and maintenance of peace and security.

2. That those of them at war with a common enemy will act together in all matters relating to the surrender and disarmament of that enemy, and to any occupation of enemy territory and of territory of other states held by that enemy.

³ *Infra.*

⁴ Department of State Executive Agreement Series No. 236, or 55 Stat. 1600.

3. That they will take all measures deemed by them to be necessary to provide against any violation of the requirements imposed upon their present enemies.

4. That they recognize the necessity of establishing at the earliest practicable date a general international organization, based on the principle of the sovereign equality of all nations, and open to membership by all nations, large and small, for the maintenance of international peace and security.

5. That for the purpose of maintaining international peace and security pending the reestablishment of law and order and the inauguration of a general system of security, they will consult and act jointly in behalf of the community of nations.

6. That, in connection with the foregoing purpose, they will establish a technical commission to advise them on the military problems involved, including the composition and strength of the forces available in an emergency arising from a threat to the peace.

7. That they will cooperate with each other in bringing about a practicable lightening of the burden of armaments for themselves and for the world.

8. That they will not employ their military forces within the territories of other states except for the purposes envisaged in this declaration and after joint consultation and agreement.

740.0011 Moscow/17a : Telegram

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

WASHINGTON, October 7, 1943—midnight.

1442. With reference to your conversation with Chiang⁵ (Embassy's 1871)⁶ the Department would appreciate receiving by radio a detailed account of his questions and comments in regard to Russia.

HULL

740.0011 Moscow/234

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

LONDON, October 10, 1943.

DEAR MR. SECRETARY: I have found, in the course of a number of conversations which I have had with British officials since arriving here, a surprising unanimity of opinion that an exclusive commitment for purposes of leadership on the part of the Anglo-Saxon Powers would not be the most practical objective to pursue, together with a general leaning toward the concept that in the formation of an "Executive Committee" for United Nations purposes, an arrangement

⁵ Generalissimo Chiang Kai-shek, President of the Chinese Executive Yuan (Premier); he was inaugurated as President of the Chinese National Government on October 10, 1943.

⁶ Telegram No. 1871, October 6, 11 a. m., p. 872.

among four Powers (that is including China) would be better than either a two Powers or a three Powers arrangement. With regard especially to China, there has appeared among those with whom I have talked a general consensus of view that it would be easier to influence China with regard to both the international aspects and the internal aspects of her development if China be on the inside of whatever special grouping there may be of the major nations than if China be on the outside. This is what I have found most interesting in discussions with the comparatively small number of contacts with whom I have had discussions thus far. The persons with whom I have held these discussions are, however, persons in important positions. You will realize that it is gratifying to me to have encountered these views and that I am hoping to find that they are widely held.

I trust that your journey will be a safe one and your efforts be crowned with great success.

Yours sincerely,

STANLEY K. HORNBECK

740.0011 Moscow/18: Telegram

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

CHUNGKING, October 11, 1943—noon.

[Received 12:08 p. m.]

1914. Department's 1442, October 7. Generalissimo inquired as to Mr. Hull's health and asked whether he would personally attend Tripartite Foreign Ministers Conference. I replied I had no official information but assumed from recent press reports that he would attend in person. He then asked where conference would be held. I stated that when I left Washington there had been no announcement on the subject. He then asked what was the opinion in Washington when I left as to Soviet continuance in the war and collaboration with partners of the United Nations. I replied that I had not discussed this subject with higher authorities in Washington but that from my conversation in official circles generally I had definite impression that there is full American confidence that Soviet Russia will continue in the war and in collaboration with partners of United Nations. Generalissimo commented that there has always been deep suspicion of Soviet intentions and subject is one of great importance. I replied that I had, of course, noted press speculation regarding intentions of Soviet Russia; that while there had been mutual suspicion between Soviet Russia and other powers for many years and it might take some time fully to break down any such suspicion still lingering in

the minds of unofficial observers, there seemed in official circles at home to be every indication of confidence that relations with the Soviet would continue on a satisfactory basis and that the meeting of the Foreign Ministers would be successful in clarifying objectives and policies in matters of mutual concern and interest with reference to the European theater of the war.

GAUSS

740.00119 MPC/30 : Telegram

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

CHUNGKING, October 16, 1943—10 a. m.

[Received 10:50 a. m.]

1962. Foreign Minister Soong this morning asked me to inform Secretary Hull at Moscow that China is completely in agreement with American draft of proposed joint declaration by four powers, that China requests to be consulted by us in case any modification of American draft is considered by Three Power Conference and that China hopes to be informed by us from time to time of the negotiations at Three Power Conference when this subject comes up for discussion. Soong admitted in conversation that he had received the British proposed redraft of the declaration.

In order to preserve security our codes and assuming Department has rapid and direct communication with Secretary Hull at Moscow, I am not repeating foregoing to Moscow. Request instructions for future guidance during presence Secretary at Moscow.

GAUSS

740.0011 Moscow/10-1843

Summary of the Proceedings of the Third Meeting of the Tripartite Conference of Foreign Ministers, Moscow, October 21, 1943, 4 p. m.

[Extract]

Mr. Molotov⁸ . . . added that the first question which occurred to the Soviet Delegation which had arisen immediately after the receipt of the original draft from the United States Government in September was whether it would be possible to consider a draft Four-Nation Declaration which included China in the absence of any representative of that country.

The Secretary stated that as he had previously said the United States Government was anxious to ascertain the attitude of the vari-

⁸ V. M. Molotov, Soviet Commissar for Foreign Affairs.

ous Governments associated with it in this war, whether in whole or in part, toward the principles which were set forth in this document. In regard to procedure the Secretary said that he was willing to accept anything that was agreeable to the others in regard to the mechanics of consideration of the draft and that in regard to China he felt that the inclusion of China was of the greatest importance, in order to preserve the spirit of the unity of the United Nations. He went on to say that China could sign later and also other nations if they desired, as in the case of the United Nations Declaration.

Mr. Molotov asked if there would be any objection to changes being made in the draft proposal without the presence of the Chinese at the Conference.

The Secretary replied that in his view this was a matter for the assembled delegates to handle and that he believed that the document as agreed upon here could be submitted to the Chinese Government before the close of the Conference. He added that according to information which he had received from the Chinese Ambassador the Chinese Government approved the Four-Nation Declaration and merely desired to be informed of any changes which might be introduced in the text at this Conference. He went on to say that if and when the document is finished here the Chinese Government could be informed immediately and asked to participate.

Mr. Molotov said that from the point of view of the Soviet Government the difficulty lay in the fact that no final decision could be made on the document if China was to be a party in the absence of a Chinese representative, whereas if the document was considered as a Three-Power Declaration it would be possible to agree and sign it during the Conference.

The Secretary repeated that in his opinion it would seem logical to perfect the document at the Conference as a four nation one, sign it, and pass it on later to the Chinese Government for its approval or disapproval.

Mr. Molotov said that in considering all of the advantages of which he was fully aware of having the Four Nations sign the document, the one great disadvantage from the Soviet point of view was that if China was to be associated originally in the Declaration it could not be finally decided upon at this Conference.

The Secretary said that in the view of the United States Government this proposal was completely in line with the previous declarations of the United Nations which were designed to bring into association all the nations associated in whole or in part with one aspect or another of the war against the Axis and that if we should now abandon the spirit and nature and letter of the United Nations movement it would produce division of opinion and only lead to confusion,

since on all these broad questions every country associated with us in the war, whether in whole or in part, were equally interested in the general principles involved.

Mr. Eden^o said that it seemed to him that there were two points to consider: (1) the particular problem of China, which might be handled by perfecting and agreeing on the Declaration here and then immediately submitting it to the Chinese Government, and if the Chinese approved it might be possible to obtain the signatures of the four Nations before the end of the Conference, and (2) whether or not Mr. Hull intended that other nations would immediately adhere to this Declaration since he personally had already envisaged it as an instrument of the Four Nations.

The Secretary replied that he believed that many nations would make application to join but that he was not advocating such policy.

Mr. Eden said that he had particularly in mind Section 6 with regard to the technical military commission since he felt it would be undesirable at this stage to associate any other nations in such a commission.

Mr. Molotov said that he agreed with Mr. Eden's views on this point. He then proposed that the Conference consider this draft as one of three and not four Powers, but if it should prove possible to obtain the consent of the Chinese Government before the end of the Conference it could then be transformed into a Four-Nation Declaration. He said that he advanced this proposal in order to make the text proposed by the Secretary, the contents of which were viewed so favorably by all present, independent of the consent of any fourth nation not represented at the Conference.

The Secretary pointed out the importance of considering the psychological situation of all the nations participating in one form or another, together with us, in the war, and that he felt that if one of the great nations which was making an important contribution to the war should be excluded, the psychological effect would be most harmful for the unity of the United Nations.

Mr. Molotov said that he thoroughly agreed with the Secretary on the importance of the psychological aspect of the question, and, for that reason, he therefore felt that a failure to obtain an agreement among the three Powers on this draft would have a very adverse effect on the other members of the United Nations, and that since the Conference was dealing with the concrete problems presented by the Draft Declaration any undue delay would in effect prejudice from the psychological point of view the purpose that everyone had in mind. He suggested therefore that the Conference proceed in the spirit of the United Nations to the consideration of the concrete proposals.

^o Anthony Eden, British Secretary of State for Foreign Affairs.

The Secretary said that his observation had been in the nature of an inquiry.

Mr. Molotov replied that he had welcomed the Secretary's observations, but he would like to repeat that in his view this document should not be regarded as necessarily a declaration of the four nations.

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740.0011 Moscow/10-1843

Memorandum of Conversation, by the Secretary of State

Moscow, October 21, 1943.

During an intermission for tea, after Mr. Molotov had raised objections to the inclusion of China in the Four-Nation Interim Agreement, I said to him privately that the American Government is doing everything and has done everything possible with respect to the Chinese situation, that it would be impossible in my judgment to omit China from the Four-Nation Agreement, that it was the attitude of my government that China has been in the world picture as one of the Big Four for the prosecution of the war and for her now to be dumped out on her face by Russia, Great Britain and the United States in connection with the proposed Four-Nation Agreement would create in all probability the most terrific repercussions, both political and military, in the Pacific area, and that this might call for all sorts of readjustments by my Government for the purpose of keeping properly stabilized the political and military situation in the Pacific. I added that Great Britain would probably be likewise affected so far as giving attention to the Pacific might be concerned. I said furthermore that public opinion in my own country would be hopelessly torn and rent by the news that this Government had joined with the Soviet Government in Moscow to throw China out of the war picture, as the public would probably interpret her exclusion from the Four-Nation Declaration proposal. These things were said in private to Mr. Molotov and he appeared to recognize the reasonableness of what I said.

We then turned to the question of developing closer relations between our two countries and I emphasized the entire practicability of the matter, resting this view on the broad condition that there are absolutely no material interests or international interests that are not common to both countries, and that each supplements the other with respect to trade and general economic relations, etc. I added, before leaving, that I would be glad to sit down and talk with him about some of the important points involved in the undertaking to bring about closer relations and closer understanding. He said he would be glad to take these matters up with me at any time.

740.0011 Moscow/10-1843

Memorandum of Conversation, by the Ambassador in the Soviet Union (Harriman)

[Extract]

Moscow, October 24, 1943, 12:00 noon.

Participants: Mr. Anthony Eden
 The Secretary
 Sir Archibald Clark-Kerr ¹⁰
 Mr. Harriman

Mr. Eden said that he would fully support the Secretary's strong position on the inclusion of China in the Four-Power Declaration. The British Ambassador expressed his personal strong sympathy for this position and its importance at this time. He suggested that some slight concession to the Soviets might be necessary if it could be done without in any way compromising the Four Power aspect of the Declaration. He suggested that the announcement might be made as a declaration from the tri-partite conference with the combined offer of the three participants to China to join in order to make it a four-power declaration. He expressed the view that there would be no difficulty in getting the Chinese Government's immediate acceptance. This small concession might well overcome Molotov's reluctance to have a four-power declaration emerge from a tri-partite conference. The Secretary did not agree as to concession.

740.0011 Moscow/63 : Telegram

The Ambassador in the Soviet Union (Harriman) to the Acting Secretary of State

Moscow, October 26, 1943—5 a. m.

[Received 2:54 p. m.]

1729. DelAm 25. From the Secretary. Reference DelAm No. 10.¹¹ In order to be prepared to expedite the signature of the Four Nation Declaration in the event it is accepted at today's meeting, please inform the American Embassy in Chungking of the single change in the preamble and send them the final draft of the text of the numbered paragraphs and ask Gauss to hold it in strict confidence himself until he is requested to transmit it to the Chinese Government either by

¹⁰ British Ambassador in the Soviet Union.¹¹ Telegram No. 1679, October 22, 2 p. m., from the Chargé in the Soviet Union, not printed.

instructions from you or myself or upon request of the Chinese Government.

If the text is accepted by the conference this afternoon, I shall immediately inform the Chinese Ambassador here telling him that the final text is available at our Embassy at Chungking. I shall also immediately authorize Gauss to release it to the Chinese Government for their confidential information and in order that they may sign in such manner as may be agreed upon, if the text meets with their approval. [Hull.]

HARRIMAN

740.0011 Moscow/10-1843

Summary of the Eighth Regular Session of the Tripartite Conference of Foreign Ministers, Moscow, October 26, 1943, 4 p. m.

[Extract]

Mr. Molotov then announced that the Soviet Government had no objection to the inclusion of China as an original signatory, but since he was most anxious to have some declaration signed and announced before the Conference broke up he was doubtful whether from a technical point of view it would be possible for the Chinese Ambassador¹² here to receive the necessary powers before the end of the Conference.

The Secretary said he would undertake to communicate the text to the Chinese Government and he was convinced that the necessary powers would be forthcoming to the Ambassador here for China to sign before the end of the Conference.

Mr. Molotov accepted the Secretary's suggestion but expressed the strong hope that there would be no delay which would interfere with the publication by the Conference of the contents of the Declaration.

The Secretary then said that he had thought of an alternative method of ensuring China's participation as an original signatory but he was merely putting it out as a possibility as he was optimistic that the Chinese Ambassador here would receive the necessary powers in time. This alternative method was to permit China to sign as an original member within ten days following the close of the Conference.

Mr. Molotov then said he considered that the Conference was in complete agreement and authorized the Secretary to submit the text to the Chinese Government on behalf of the Conference.

¹² Foo Ping-sheung.

740.0011 Moscow/81 : Telegram

The Ambassador in the Soviet Union (Harriman) to the Acting Secretary of State

Moscow, October 26, 1943—4 p. m.
[Received October 28—1 : 17 p. m.]

1749. DelAm 31. For the President and Acting Secretary from the Secretary of State. Reference DelAm No. 26¹³ and 25.¹⁴ At the session this afternoon after considerable discussion of the text the Conference adopted an approved text of the Four Nation Declaration with minor changes which I will give below. Molotov agreed on behalf of the Soviet Government to the participation of China as an original signatory. He voiced doubt, however, as to whether the Chinese Government would be able to send the necessary powers to the Chinese Ambassador here to sign declaration before Conference closed. I regard it as of the very highest importance that every effort be made to ensure that Chiang Kai-shek send these powers to the Chinese Ambassador in Moscow instantly. I saw the Chinese Ambassador immediately after close of today's session and impressed on him with great earnestness the extreme urgency of the matter in the interests of all of us and particularly in interests of China that he should be empowered to sign before the end of the Conference which I told him might well be before the end of this week. He is telegraphing immediately direct to Chungking for immediate authorization to sign the declaration.

The following are the unimportant modifications made at today's session when the declaration was adopted in the text as communicated to you in DelAm No. 25 [26]. The preamble remains the same except for the addition of the words "of America" after "the United States". Articles 1, 2, 3, 4, 5 and 7 remain unchanged. In article 6 the words "after the termination of hostilities" were substituted for "following the defeat of the enemy." Article 8 was dropped at my suggestion following Molotov's apparent doubt as to exact meaning of the wording.

Please communicate instantly to Chungking for transmission to Chiang Kai-shek the additional unimportant changes which were introduced in the text before the declaration was finally adopted, and please instruct the Ambassador to urge upon the Generalissimo the vital importance of the immediate despatch of full powers by cable to his Ambassador here to sign this declaration. [Hull.]

HARRIMAN

¹³ Not printed.

¹⁴ Telegram No. 1729, October 26, 5 a. m. from the Ambassador in the Soviet Union, p. 827.

740.00119 MPC/64b : Telegram

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

WASHINGTON, October 26, 1943—midnight.

1525. Under instructions from Secretary Hull you are informed that the preamble of the Four-Nation Declaration has been approved with the following single revision: The substitution of the words "United Kingdom" for "Great Britain".

Under instructions there is likewise transmitted in my immediately following telegram the final draft of the text of the numbered paragraphs of this declaration.

You will personally hold the revised preamble and numbered paragraphs in strict confidence until you are instructed either by Secretary Hull or by myself or upon request of the Chinese Government to deliver this complete text of the Four Nations declaration to the Chinese Government.

If there are any subsequent changes in the text of this final draft you will be duly informed.

STETTINIUS

740.00119 MPC/64c : Telegram

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

WASHINGTON, October 26, 1943—midnight.

1526. With reference to my telegram no. 1525 the following is the final draft of the text of the numbered paragraphs:

1. That their united action, pledged for the prosecution of the war against their respective enemies, will be continued for the organization and maintenance of peace and security.

2. That those of them at war with a common enemy will act together in all matters relating to the surrender and disarmament of that enemy, and to any occupation of enemy territory and of territory of other states held by that enemy.

3. That they will take all measures deemed by them to be necessary to provide against any violation of the terms imposed upon their enemies.

4. That they recognize the necessity of establishing at the earliest practicable date a general international organization, based on the principle of the sovereign equality of all peace-loving States, and open to membership by all States, large and small, for the maintenance of international peace and security.

5. That for the purpose of maintaining international peace and security pending the reestablishment of law and order and the in-

inauguration of a general system of security, they will consult with one another and as occasion requires with other members of the United Nations with a view to joint action on behalf of the community of Nations.

6. That in the post-war period they will not employ their military forces within the territories of other states except for the purposes envisaged in this declaration and after joint consultation.

7. That they will cooperate with one another and with other members of the United Nations to bring about a practicable lightening of the burden of armaments for themselves and for the world.

8. That this declaration is without prejudice to the relationship between the respective signatories and nations with which such signatories are not at war.

STETTINIUS

740.0011 Moscow/81a : Telegram

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

WASHINGTON, October 27, 1943—2 p. m.

1528. With reference to last paragraph of 1525, October 26, midnight, following are final changes in text as signed today in Moscow:

Preamble add words "of America" after "the United States".

Numbered paragraph 1, unchanged.

Numbered paragraph 2, omit "and to any occupation of enemy territory and of territory of other states held by that enemy".

Numbered paragraph 3, the last two words "their enemies" should read "the enemy".

Numbered paragraph 4, make appropriate correction to read "and open to membership by all 'such' states, large and small, etc.".

Numbered paragraph 5, make necessary correction that sentence may read "inauguration of a system of general security, etc.".

Numbered paragraph 6 has been amended to read "That after the termination of hostilities they will not employ their military forces within the territories of other states except for the purposes envisaged in this declaration and after joint consultation".

Numbered paragraph 7 has been amended to read "That they will confer and cooperate with one another and with other members of the United Nations to bring about a practicable general agreement with respect to the regulation of armaments in the postwar period".

Numbered paragraph 8, has been dropped entirely.

STETTINIUS

740.0011 Moscow/81b : Telegram

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

WASHINGTON, October 27, 1943—8 p. m.

1532. The President and Secretary Hull are desirous that you should immediately urge upon the Generalissimo the vital importance of the immediate despatch of full powers by cable to the Chinese Ambassador in Moscow to sign the four nation Declaration.

I should be grateful for a report from you.

STETTINIUS

740.00119 MPC/59 : Telegram

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

CHUNGKING, October 27, 1943—10 p. m.

[Received October 27—5:45 p. m.]

2032. Foreign Office requests me to inform Secretary Hull that full powers are being telegraphed to Chinese Ambassador to sign Four Power Declaration and to express thanks of Chinese Government to Mr. Hull for what he has done for China in this connection.

Please inform Moscow.

GAUSS

740.0011 Moscow/99 : Telegram

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

CHUNGKING, October 30, 1943—3 p. m.

[Received October 30—1:50 p. m.]

2045. Your 1532, October 27, 8 p. m. My urgent message 2032, October 27, 10 p. m. reported that full powers were being telegraphed Chinese Ambassador [at] Moscow. Foreign Office tells me they were sent within half an hour of receipt here of message requesting them. In communications with Chungking both from Washington and Moscow it should be borne in mind that there is delay in transmission. Mr. Hull's message from Moscow of October 26, 11 [4] p. m. instructing me to urge Chiang to despatch full powers instantly to Chinese Ambassador did not reach Embassy until October 28, 3 p. m.

Please inform Moscow.

GAUSS

[For final text of Declaration of Four Nations on General Security, signed at Moscow, October 30, 1943, see Department of State *Bulletin*, November 6, 1943, page 308.]

740.0011 Moscow/10-1843

Memorandum of Conversation, by the Secretary of State

Moscow, November 1, 1943—noon.

The Chinese Ambassador called at his request. He said that he merely called to thank me again for what my Government had done for China during the Conference. He then inquired whether I had anything else in mind about the occurrences in the Conference that would be of interest to his Government.

I replied that I had nothing especial, but that I might say that throughout the Conference all Russian officials were exceedingly cordial and friendly and when matters of difference were under discussion they talked them out with us in a thoroughly agreeable spirit. I added that this was a splendid state of mind with which to launch the great forward movement of international cooperation with Russia for the first time a full-fledged member of it without special reservation of any kind, that all of the signs indicate that Mr. Stalin¹⁵ and his Government are opposed to isolation and are wholeheartedly in favor of the movement of international cooperation launched by this Conference with Russia as a full partner with the United States, Great Britain and China.

I then made clear to the Ambassador that neither I nor my associates had intimated anything to the press about China's difficulties in being permitted to become one of the original signatories to the Four-Nation Declaration except that last evening in answer to a question as to who sent for the Ambassador to come and sign, I replied that the Conference sent for him and there was no opposition to China as such in the Conference.

The Ambassador said that he was pleased to have no publicity about China's difficulty and had cautioned his Government to say nothing whatever about it, although he had given the Generalissimo the facts as to just what had occurred for his confidential and personal information.

The Ambassador then said in great confidence that he had been authorized by the Generalissimo when he came to Moscow to say to Mr. Stalin that if and when Russia should decide to enter the war against Japan, China would be ready to make any kind of alliance with the Soviet Union.

The Ambassador had first inquired whether the Russians had said anything about Japan. I replied that I had nothing in mind that could be taken up with him in that connection; that of course it is my rule to give him the fullest possible information at all times in regard to matters of interest to either of our Governments.

¹⁵ Iosif Vissarionovich Stalin, Chairman of the Council of Commissars (Premier) of the Soviet Union.

740.0011 Moscow/160 : Telegram

*President Chiang Kai-shek to President Roosevelt*¹⁶

[Translation]

CHUNGKING, November 3, 1943.

I and the people and army of our entire nation feel deeply gratified on learning of the signature of the Joint Four-Nation Declaration. This act of historic importance makes manifest to the world the righteousness of the cause against aggression. It will not only strengthen the cooperation of our Four Nations for the fulfilment of our common faith, but will also give all peace-loving peoples of the world an assurance of the establishment of international peace and general security, and thereby constitutes an unsurpassed contribution to the future of the world. China is proud to have taken part in the consummation of the Declaration, and I wish to offer you, Mr. President, my heartiest congratulations. This Declaration owes much in its making to your wise directions and the endeavors of Secretary of State Cordell Hull at the Conference, which command our deepest admiration. Please accept my sincere and grateful appreciation.

893.001 Chiang Kai-shek/11a : Telegram

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

WASHINGTON, November 13, 1943.

1635. Please convey the following message from the President to President Chiang Kai-shek :

"I have received with deepest pleasure the cordial message from Your Excellency upon the occasion of the signature of the Joint Four-Nation Declaration, and I reciprocate your feeling of satisfaction at its consummation. I welcome the association of China in the work of establishing a better world order. The Declaration gives assurance that the close coalition for war will be blended into an effective and lasting coalition for peace. Upon our two countries and the other nations associated with us in this undertaking will rest the responsibility for the preservation and extension of the principles of freedom, justice, and integrity among nations, for which we are now fighting. The participation of China in this historic Declaration has afforded Secretary Hull and me deep gratification, as it has the American people. The immediate task before us is that of vanquishing the aggressors. Along with this and beyond are the tasks of reconstruction looking toward creating conditions of lasting peace. Formidable

¹⁶ Transmitted to the Acting Secretary of State by the Chinese Ambassador (Wei) in a covering letter dated November 4, 1943.

though all these tasks are, we march forward to their accomplishment confident of the full and active cooperation of your Government and people.”

The foregoing is in response to a message dated November 3, from President Chiang, which was transmitted through the Chinese Embassy.

HULL

893.001 Chiang Kai-shek/12

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] November 22, 1943.

The Chinese Ambassador called under instructions of General Chiang Kai-shek to extend to me the most hearty and sincere congratulations of the Generalissimo for my aid to China at Moscow.

C[ORDELL] H[HULL]

EXCHANGE OF VIEWS BETWEEN THE UNITED STATES AND CHINA REGARDING THE ADMINISTRATION OF LIBERATED AREAS

800.0146/160a : Telegram

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

WASHINGTON, September 7, 1943—10 p. m.

1251. It is evident that some uneasiness exists in the minds of the refugee governments and authorities and their respective countries over the question of the possible establishment of military government in those countries. As there is every intention of having those governments and constituted authorities participate to the extent practicable in the function of maintaining law and order and in the administration of the liberated areas it has seemed desirable to make a public statement to that effect. This Government proposes therefore to issue an identic statement on liberated areas with the British Government on September 15. You are instructed therefore to communicate this statement to the Chinese authorities for any comment they may care to make with regard thereto. You should request that the matter be considered strictly confidential until the date of release.

The statement reads as follows :

“1. The Governments of the United States and United Kingdom, necessarily by reason of their military operations in enemy territory, must assume the major responsibility for the administration of enemy territories conquered by their forces in pursuance of the war against the Axis.

2. The Governments of the United States and the United Kingdom, while continuing to exercise supreme military authority in liberated areas pending the defeat of the enemy, will be agreeable to the policy of the governments and constituted authorities of the United Nations in their respective liberated countries proceeding with the function of maintaining law and order with such assistance by the Allied authorities as may be necessary, subject always to military requirements.

Conversations and arrangements with the governments of those countries have already been in progress for some time on these aspects of the mutual interests involved.”

HULL

800.0146/161 : Telegram

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

CHUNGKING, September 12, 1943—11 a. m.

[Received 3:45 p. m.]

1688. Department's 1251, September 7. I communicated the proposed statement to the Acting Foreign Minister¹ September 10. On September 11, Director of American Affairs Department informed me that Chinese Government concurred in the proposed statement but with the qualification that it not be considered a precedent for publication [*application?*] to areas in Far East. From his ensuing remarks in which he raised a number of academic questions it was apparent that he had chiefly in mind occupied areas in China.

I said in reply that the statement had been formulated in explanatory remarks, to meet a specific situation; that it obviously concerned areas in Europe in which American and British forces were conducting operations; and that I felt sure that no question or thought in regard to occupied areas of China had arisen in the mind of anyone. I pointed out that when Japanese forces should be driven out of occupied China the question of temporary military administration would assumably rest with Chinese and other commanders pending setting up by the Chinese Government of civil administration. I mentioned that Chiang Kai-shek was the Allied Commander-in-Chief in this theatre.

The Director seemed satisfied and there would not appear to be any present need of pursuing the matter further with him.

ATCHESON

800.0146/161 : Telegram

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

WASHINGTON, September 15, 1943—9 p. m.

1294. Reference your 1688, September 12, 11 a. m. Department approves the action you have taken in this matter.

Please inform the Acting Foreign Minister that issuance of the statement did not take place on September 15 as it has been temporarily postponed, and that the proposed statement should therefore still be considered as confidential.

HULL

¹K. C. Wu, Chinese Political Vice Minister for Foreign Affairs.

800.0146/164 : Telegram

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

CHUNGKING, September 16, 1943—10 a. m.
[Received 12:58 p. m.]

1730. Embassy's 1688, September 12. We have now received an informal note from Acting Foreign Minister dated September 15 in which Dr. Wu states that the issuance of statement in question is both timely and proper in the opinion of Chinese Government. He adds that, however "in view of prospective developments in military situation in Far East", it is feeling of Chinese Government that there is a similar need of common understanding in regard to question of administration of liberated areas in this region. He expresses the hope of Chinese Government that such common understanding may be reached at an early date by Governments of the United States, Great Britain and China and he asks that his comments and this hope be brought to the attention of the American Government.

ATCHESON

800.0146/170 : Telegram

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

CHUNGKING, September 22, 1943—5 p. m.
[Received September 22—4 p. m.]

1781. Embassy's 1730, September 16. Administration of liberated areas. In conversation with the Acting Foreign Minister September 21, Dr. Wu brought up this question and said that after further consideration the Chinese felt no concern in regard to possibility of misunderstanding among Chinese and American military commanders in areas of China liberated from Japanese occupation but were feeling a growing concern in regard to adjacent areas such as Burma and Thailand. He said that as neither China nor the United States had any territorial ambitions and had made this clear there were doubts as to the intentions "of others" and a concrete problem would be presented if, for example, Chinese troops should invade Burma from China and British troops should invade Burma from India. The Chinese Government accordingly considered that it would be most advisable to have all possible questions resolved beforehand in order to avoid unfortunate complications and some suggestions in this respect had been telegraphed to Dr. Soong³ in Washington for discussion with the Department.

ATCHESON

³ T. V. Soong, Chinese Minister for Foreign Affairs.

800.0146/184 : Telegram

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

WASHINGTON, September 23, 1943—11 p. m.

1351. It is not entirely clear whether the "common understanding" proposed by the Chinese Government (your 1730, September 16) in regard to liberated areas is meant to extend to the Far Eastern region generally or whether (with reference to your 1688, September 12) Chinese interest relates primarily to occupied areas of China.

Please quote in full any portions of note which might tend to clarify this point and at same time state your own understanding of the Chinese intention in this regard.

It is assumed that you have sent a copy of the note in question by air pouch.

HULL

800.0146/184 : Telegram

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

CHUNGKING, September 28, 1943—noon.

[Received 5 : 22 p. m.]

1819. Liberated areas. Department's 1351, September 23 appears to have crossed our 1781, September 22 which, it is believed, makes it clear that China's present concern is in regard to Burma and Thailand. Pertinent portions of Foreign Office note of September 15 were quoted in our 1730, September 16 and copy of the note went forward by air pouch with Embassy's despatch 1588, September 17.⁴

GAUSS

800.0146/200 : Telegram

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

WASHINGTON, October 26, 1943—3 p. m.

1519. With reference to the Embassy's despatch no. 1588 of September 17⁴ in regard to Chinese proposal for an understanding on the question of administration of liberated areas in the Far East, the Department would be interested in learning whether this subject was discussed at the recent meeting between President Chiang and Mountbatten.⁵ If the Embassy is not informed, would it be feasible for it to ascertain from General Stilwell⁶ whether the subject was discussed and if so the nature of the discussion.

STETTINIUS

⁴ Not printed.⁵ Adm. Lord Louis Mountbatten, Supreme Allied Commander, Southeast Asia.⁶ Gen. Joseph W. Stilwell, Commanding General, United States Army Forces in China, Burma, and India.

800.0146/219 : Telegram

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

CHUNGKING, October 29, 1943—11 a. m.

[Received October 29—8:19 a. m.]

2036. Embassy is not informed in regard to discussions between Mountbatten and Chiang (Department's 1519, October 26) but will make oral inquiry of Stilwell upon latter's return from India. Stilwell is understood to have been present at the conversations but so far has given us no information thereof.

GAUSS

800.0146/226 : Telegram

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

CHUNGKING, November 10, 1943—9 a. m.

[Received November 10—9 a. m.]

2123. Your 1519, October 26. Stilwell tells us that in the conversations between Generalissimo and Mountbatten the question of civil administration of liberated areas was not specifically discussed but that Mountbatten desired to attach to the various allied units including Chinese units British civil officers of the former Burma Government now commissioned as officers in the British Army to serve as liaison officers but actually to be intelligence officers and to reestablish the civil government of Burma as soon as possible. While there was agreement to acceptance of liaison officers, no understanding was reached as to the activities of such officers and Stilwell says Mountbatten is not satisfied on this point. I also understand that the activities of these liaison officers with the Chinese units is being limited.

There was also discussion between Generalissimo and Mountbatten on the overlapping of their respective theatres of command as regards Thailand; this was arranged by agreement that either theatre commander might proceed into Thailand and the boundary of military jurisdiction as between them would be the line where their two forces might meet. No question apparently was raised regarding French Indochina.

GAUSS

INTEREST OF THE UNITED STATES CONCERNING CHINESE POSTWAR PLANNING ¹

893.51/7663 : Telegram

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

CHUNGKING, January 4, 1943—4 p. m.

[Received 6:33 p. m.]

11. Ministry of Finance official has told us that Chinese Ambassador,² Washington, has transmitted invitation from American to Chinese Government to send an expert to Washington to discuss Chinese fiscal problems. Minister for Foreign Affairs ³ has commented to us that he hopes to take back to Washington with him (he expects to depart in about a month) a number of Chinese experts to discuss and plan for postwar reconstruction in China with American aid. Other Chinese officials, competent to discuss the matter, have from time to time officially indicated a desire to have an American, with broad experience in matters of economic development, visit China in the near future to discuss with competent Chinese officials various reconstruction problems related to agriculture, industry, commerce and finances. They feel that a competent American could, through conversations and investigations here, obtain a coordinated picture of China's postwar needs which would be useful in Washington.

The Chinese are anticipating financial aid from us for postwar development. The various interested ministries and other organizations of the Government have plans for reconstruction but it appears that little has been done to coordinate these plans and it is not improbable that some of them will have little practical direct bearing on what will be China's pressing postwar needs. For instance, it would appear that measures to maintain China's credit by support of currency and restoration of foreign trade on a sound basis (and to improve the livelihood of China's predominantly agricultural population) by agrarian reform and promotion of village industries should receive priority consideration by the Chinese rather than for large scale industrial and communications enterprises and special projects promoted by Government and private interests. If the National Government's credit can

¹ Continued from *Foreign Relations*, 1942, China, pp. 730-748.

² Wei Tao-ming.

³ T. V. Soong.

be maintained and the purchasing power of the mass of the population can be improved, well coordinated industrial and communications projects should follow without much artificial stimulation. The Embassy feels that an American expert, not adviser, on economic organization might prove useful in prompting the synthesis of plans which is required for the purpose of intelligently and authoritatively advising the American Government on the situation.

GAUSS

893.9111/47 : Telegram

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

CHUNGKING, January 6, 1943.

[Received 10:44 a. m.]

20. [Here follows report on editorial in the *Ta Kung Pao* of January 5.]

Sun Fo, President of Legislative Yuan, in New Year's message, denounces suggesting that Manchuria should be governed by Russia after war, criticises, as unjust, American magazine article proposing inclusion of Thailand in new state with Malaya, British and Dutch [East] Indies and strongly opposes inclusion of Formosa in defense area across Pacific suggested in same article. He states recovery of Manchuria and Formosa unchangeable aim of China's revolution and Thailand as once independent state should not be destroyed.

GAUSS

740.0011 Pacific War/3106

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

No. 846

CHUNGKING, January 7, 1943.

[Received February 13.]

SIR: I have the honor to enclose for the Department's information a translation of a special article⁴ by Mr. Shao Yu-lin, Director of the Information Department of the Ministry of Foreign Affairs, entitled "How to Liquidate Japan", published in the *Ta Kung Pao* and Central News Agency despatches. Mr. Shao, a returned student from Japan, is a member of Generalissimo Chiang Kai-shek's Household Secretariat or Adjutant's Office and is considered to be strongly nationalistic in his views. The views expressed are believed to be generally representative of Chinese official and private opinion with respect to Japan and to China's war effort.

⁴ Not printed.

The article expresses the writer's opinion that nothing less than the total destruction of the Japanese army will be sufficient to win the war. It refers to the Japanese naval losses suffered at the hands of the American navy, the limitations of Japanese shipbuilding capacities and Japanese aerial weaknesses both in quantity and quality, but warns that even a crushing naval and aerial attack against the Japanese islands would not decide the final outcome of the war. In explanation of this statement, Mr. Shao points out that in anticipation of Allied air attacks Japan has moved important industrial plants from Japan proper to Manchuria and North China and has an army of more than one million troops ready to defend Manchuria, North China and the coastal regions. Therefore, to ensure the defeat of Japan Allied naval and air forces must be assisted by a large and strong Chinese army and that army must be supplied with planes, tanks and heavy artillery. These supplies must not await the reopening of the Burma Road but must be sent immediately—at all costs and at all risks. Mr. Shao goes on to say that the total annihilation of the Japanese army is an essential condition to winning the peace as well as the war. He reviews the political history of Japan, pointing out the ascendancy of the militarist elements in the Japanese Government and stating that without their elimination genuine peace in the Far East would be impossible.

Mr. Shao concludes with a statement of Chinese postwar aims which include the restoration of Formosa, the Ryu Kyu Islands and the Four Northeastern Provinces. With respect to Korea he states that the restoration of Korean independence is a foregone conclusion, a logical consequence of the present Sino-Japanese War and one of the war aims of the United Nations.

Respectfully yours,

C. E. GAUSS

893.9111/47

Memorandum by Mr. Lauchlin Currie, Administrative Assistant to President Roosevelt, to the Chief of the Division of Far Eastern Affairs (Hamilton)

WASHINGTON, January 13, 1943.

You will be interested in the attached excerpt from a letter from John Fairbank,⁵ dated December 30. The *Ta Kung Pao* editorial did not come out until the fifth.

⁵ Representative in China of the Interdepartmental Committee for the Acquisition of Foreign Publications (IDC), of the Library of Congress, and of the Office of Strategic Services (OSS).

[Annex]

Excerpt From a Letter From Professor John K. Fairbank to Mr. Currie, Dated December 30, 1942

The latest bombshell here is the story, from Franklin Ho, that the British delegation at the IPR⁶ conference in Canada brought out a proposal to give Manchuria to Russia or to internationalise it. The Gimo⁷ got this report by cable and hit the ceiling; it has not yet been published or reported in detail. It is regarded as the most serious development in a long time (and is rather a climax to the love feast indulged in by both parties to the British Parliamentary Mission here earlier this month.)

893.51/7663 : Telegram

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

WASHINGTON, January 22, 1943—10 p. m.

118. Your 11, January 4, 4 p. m.

1. The matter mentioned in the first sentence of your telegram under reference apparently refers to the same matter as that dealt with in your telegram no. 36, January 7, 6 p. m.,⁸ containing a message from Adler⁹ to the Secretary of the Treasury.¹⁰ The Department understands that the Treasury Department is preparing reply for discussion with us.

2. With regard to the desire indicated by various Chinese officials to have a technically qualified American visit China in the near future to discuss various postwar economic problems in China, plans and thinking here have not become definitive and are still in a process of gradual formulation. It would therefore seem best that this Government not attempt to make a hurried decision in reference to the subject presented in the last part of your telegram. We shall continue to keep the matter in mind and to give it special thought. Perhaps such information and views as the Minister for Foreign Affairs may impart to us upon his return to Washington will have a bearing upon the matter and thus be helpful to us in our consideration thereof.¹¹

HULL

⁶ Institute of Pacific Relations.

⁷ Generalissimo Chiang Kai-shek, President of the Chinese Executive Yuan (Premier).

⁸ Not printed.

⁹ Solomon Adler, alternate American member of the Chinese Stabilization Board.

¹⁰ Henry Morgenthau, Jr.

¹¹ Notation by the Chief of the Division of Far Eastern Affairs (Hamilton): "Shown to and concurred in by Mr. Currie. M. M. H."

840.50/1716b

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

[WASHINGTON,] March 29, 1943.

The Chinese Foreign Minister, Dr. T. V. Soong, called to see me today at his request.

Dr. Soong said that he had had a conversation with Mr. Eden¹² at the British Embassy, which had not covered more than a very limited field, and he would be most grateful if I could give him any general impressions with regard to Mr. Eden's conversations in Washington which I thought would be helpful to his Government.

I said that I was glad to inform Dr. Soong that the position of this Government, as stated by the President, was that China was an indispensable part of the machinery required in the major war effort, and that, in the judgment of this Government, China must equally be an indispensable part of the world organization to be set up in the future. I said I believed that the views of the British Government and ours were very much in accord on this basic premise.

I said, furthermore, that, with regard to the steps to be taken in the Far East and in the Pacific after the war was won, I again felt that the views of the Chinese, the British and the United States Governments were very much in accord. I said we were all in agreement that Korea must be set up as an independent country under a temporary international trusteeship, that the Japanese people must be restricted to their own main islands, that Formosa must be returned to China, and that the former mandated islands in the Pacific should be placed under some form of international trusteeship for the purpose of insuring international security.

Dr. Soong inquired what the views of the British Government might be with regard to Hong Kong after the war. I said I felt that this was a matter which could only be discussed between the Chinese and British Governments and that I was not in a position to express any opinion with regard thereto.

Dr. Soong then inquired what the views of the British and United States Governments might be with regard to the future status of Manchuria. I replied that both Governments believed that Chinese sovereignty should once more be reestablished over Manchuria, although with the understanding that the legitimate commercial interests of the Soviet Union would be given full recognition by the Chinese Government of the future. Dr. Soong inquired what my opinion might be with regard to the nature of these legitimate commercial interests. I said that here again I was not in a position to

¹² Anthony Eden, British Secretary of State for Foreign Affairs.

reply since that would obviously seem, at least in the first instance, to be a matter to be discussed between the Soviet and Chinese interests and that this Government had no indication from the Soviet Government with regard to its views in this matter. I added that I had no information that the British Government had any views on this subject either.

Dr. Soong did not mention the subject of India, nor did he mention the status of the present European colonies in the southwest Pacific.

Dr. Soong stated with much emphasis and with much satisfaction that both his Government and he were greatly encouraged by the steps recently taken by the Government of the United States to speed up the furnishing of military supplies to China. He said that the recent sending of air transports to China had been most gratifying and that the appointment of General Chennault¹³ had been most gratefully received by the Chinese Government. He also stated that he had just received a telegram from General Stilwell¹⁴ expressing great satisfaction with the way things were going in Yunnan Province.

740.0011 European War 1939/29449

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

No. 1113

CHUNGKING, April 27, 1943.

[Received May 19.]

SIR: I have the honor to enclose for the information of the Department a copy of a memorandum of conversation which I had several days ago with Dr. Wang Shih-chieh, Secretary General of the State Planning Board (Generalissimo Chiang Kai-shek is Director) and Secretary General of the People's Political Council. Although Dr. Wang, under fire from the Central Executive Committee of the Kuomintang at its last meeting in November (the only criticism which the Embassy heard was that he was accused of being pro-British), has resigned as Minister of Information, he still holds a position of influence and is understood to meet with the Generalissimo at frequent intervals for discussion of China's problems. It is believed that the Department will find interesting his comments and point of view on Chinese and world situations and problems. The interest which he evinced in certain matters is worthy of note. He himself raised such questions as the coordination of American Government activities in Chungking, the British and American monetary stabiliza-

¹³ Appointment of Maj. Gen. Claire L. Chennault as Commanding General, U. S. 14th Air Force in China.

¹⁴ Gen. Joseph W. Stilwell, Commanding General, United States Army Forces in China, Burma, and India.

tion plans, American participation in a regional European post-war organization, and possible alteration of Casablanca Conference ¹⁵ global strategy.

Respectfully yours,

JOHN CARTER VINCENT

[Enclosure]

Memorandum of Conversation, by the Chargé in China (Vincent)

CHUNGKING, April 23, 1943.

Yesterday I had tea with Dr. Wang Shih-chieh, at his invitation, and a two-hour discussion regarding various subjects introduced by Dr. Wang. Dr. Kuo Pin-chia, close friend of Dr. Wang, was present throughout most of the conversation.

Dr. Wang said that he would like to have clarified in his mind the relation between the Embassy and the various other official American organizations represented in Chungking. He mentioned specifically the American Information Service, the Board of Economic Warfare, and the American Army. I told him that the AIS represented the Office of War Information in Washington which was an organization separate from the State Department but that the director of AIS (Mr. Fisher, and in his absence Mr. Stewart) operated under the general supervision of the Embassy and in close cooperation therewith. The same situation, I said, obtained with regard to representatives in China of the Board of Economic Warfare. I described in general terms the personnel, setup, and work of each. With regard to the Army, I told Dr. Wang that General Stilwell's Command in this area was completely independent of the Embassy but that there were, as occasion therefor arose, exchanges of view between the one and the other on matters of mutual interest or in regard to matters in which the one or the other desired specific information or assistance. In reply to his inquiry I told him that there was no provision for regular conferences between the Army Command and the Embassy. Dr. Wang did not indicate the reason for his inquiry (I think it was simply curiosity) and I did not pursue the subject.

Knowing that Dr. Chien Tuan-sheng was a friend of Dr. Wang, I mentioned two articles which I had read recently by Dr. Chien on China's post-war peace problems (Embassy's despatch no. 1062 of April 7, 1943 and despatch no. 1078, April 14, 1943 ^{15a}). Dr. Wang said that he was familiar with Dr. Chien's ideas on the subject but had not read the articles. I mentioned Dr. Chien's discussion of "welfare economy" for China as distinguished from "defense economy". I

¹⁵ The records of the Casablanca Conference are scheduled for publication in a subsequent volume of *Foreign Relations*.

^{15a} Neither printed.

referred to comments made to me recently by Dr. Tseng Yang-fu, Minister of Communications, who had said that it was impossible in China to make such a distinction with regard to the future economic problems of China and that anyone who attempted to do so was talking hypothetical nonsense; that post-war development of industry and mining, of communications, and of trade, would be for the welfare and defense of the Chinese people. I had pointed out to Dr. Tseng that this might be true with a very large proportion of post-war economic development but that there would be an important minor proportion where a cleavage between the two objectives might exist. The question would arise, for instance, in connection with the steel industry which he had proposed developing; that is, whether the steel was to be used in machinery to produce consumers goods or for armament. It might also arise in connection with a choice of routes over which to build his proposed railways. Dr. Wang commented that the distinction made by Dr. Chien between the objectives of post-war economic development was certainly one which was very much in the minds of Chinese leaders at this time. He did not feel that Dr. Chien's discussion was irrelevant to China's post-war economic problems but he did not give any indication of his own views. (I surmise that he inclines toward Dr. Chien's viewpoint.) The discussion was concluded with my remark that China might find that economic development which contributed effectively toward raising the standard of living of the Chinese people might in the long run prove a better defense for China than a modern military organization on an extensive scale which the Chinese people could ill afford.

Dr. Wang asked me about the post-war monetary plans and ideas that had recently been given prominence in the press. He had heard that America was making a strong bid for Russian adherence to the American monetary stabilization plan. He subsequently expanded this statement by saying that Britain was also making a bid for Russian support of the British plan. I told Dr. Wang that I had no official information on the subject. He said that he understood the British envisaged discussions only between Great Britain and America in the initial stages, whereas the Americans seemed to have left the matter open with a view to general discussion among all interested nations. I told him that I knew nothing of the British ideas for consideration of their scheme (I understand that the British scheme has been submitted to the Chinese Government for its consideration) but that I thought we were prepared to discuss our scheme with interested nations; that these discussions would be more or less along the line of an informal exchange of views; and that the participants would probably be our own Treasury officials and the financial experts of various interested countries some of whom were already in the United States.

Dr. Wang said that he did not feel there was any fundamental difference in the American and British objectives which would prevent an agreement with regard to a stabilization plan. He expressed preference for the British emphasis on trade rather than gold as the basis for a stabilization fund, and he thought that the Russians might also find the British scheme preferable. With regard to the Russians, he said that any scheme which envisaged that the Russians might be willing to abandon or modify their managed socialist economy, particularly with regard to foreign trade, would be unrealistic. He suspected that the Americans were inclined to be naively sanguine in this regard. He said that probably many countries would have government-controlled foreign trade after the war. Such would be the case with China, he felt sure. I told him that from what I had heard and read I thought that our Treasury officials and others had a fairly clear, as well as sympathetic, understanding of the Russian post-war economic position. Dr. Wang said that he had seen the British scheme and asked me whether I had a copy of the American scheme. I told him I did not but would endeavor to get one from Mr. Adler, our Treasury Department representative on the Chinese Stabilization Board.

[Here follow four paragraphs of comment regarding post-war Europe.]

Dr. Wang next spoke of global strategy in the war and asked whether I thought that, if an offensive in Western Europe failed to come off this year or was inconclusive by next autumn, a revised strategy might not be decided upon to take the place of the strategy which he assumed was adopted at the Casablanca Conference. He had in mind obviously the question whether or not greater attention might be given to the Pacific theater of the war. I remarked that, as he clearly understood, I was not competent to comment on military strategy and that I did not have any "inside" information. He asked for my personal view. I said that my own view was that an offensive in Western Europe would take place this year and that it would be sufficiently conclusive to indicate clearly that the end of the war was approaching in Europe if in fact it did not actually bring about the defeat of Germany. I went on to say, however, that there seemed to me to be some confusion in Chinese thinking regarding the American, and the British, attitude toward the two principal theaters of the war—Europe and the Pacific. America and Britain were in complete agreement regarding prosecution of the war, but the roles they had to play were not identical. Great Britain must of necessity devote its principal if not its entire attention to the European theater. Transference of any considerable British strength from Europe to the Far East would be unsound. Therefore when Churchill spoke of

giving prior attention to the battle in Europe he was not simply expressing a preference but was stating a necessity. With America the situation was not exactly the same. We were aiding in Europe and would continue to do so in increasing degree but this did not mean we were neglecting the Pacific area. To commence a real offensive in the Pacific additional naval strength was a necessity. Air strength was a vital adjunct to a navy but it could not operate successfully without a navy in the type of warfare which must be conducted in the Pacific. It was my thought therefore that from the American point of view an offensive in the Pacific was not contingent, as in the case of the British, upon victory in Europe but upon the progress made in our construction program of naval and merchant vessels. From what I had heard, progress of this program was very encouraging and would, I thought, warrant greatly increased activity in the Pacific area, if not an all-out offensive, before the end of this year. I again pointed out that, while success in Europe obviously would be an aid to our offensive in the Pacific theater, that offensive was not actually being made contingent upon success in Europe. Referring back then to Dr. Wang's question, I said that, whereas developments might call for alterations in tactics, American strategy with regard to the Pacific area was already decided upon and would be pursued irrespective of the question which he had raised regarding developments in the European theater.

Dr. Wang and Dr. Kuo expressed appreciation of this viewpoint. Dr. Kuo made the startling statement, for a Chinese, that he believed the American offensive would be carried out in so far as possible directly against Japan and that offensives in Burma and China would be of secondary importance.

The conversation closed. Dr. Wang said that we should have another meeting very soon at which time we could discuss problems more directly concerned with the situation in China and in relation to China.

800.515/637: Telegram

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

CHUNGKING, April 29, 1943—5 p. m.

[Received April 29—10:15 a. m.]

621. For Secretary of the Treasury only from Adler. TF-114. Learn from a reliable source that Dr. Kung¹⁶ called a special meeting on April 28 of leading banking and financial experts to discuss British and American international monetary plans. The discussion which took place was intelligent and realistic. Almost all partici-

¹⁶ Chinese Minister of Finance.

pants favored China's joining in scheme for international monetary cooperation even though it entailed surrender of power to unilaterally change value of her currency. Repeated emphasis was called to the crucial importance of the fixing of the quota and to the need for transitional internal rehabilitation and readjustment measures before China could participate effectively. While a number of people felt British plan more flexible in certain respects, one believed it superior to American plan. Hsu Kan, Minister of Food, reflecting the consensus of opinion stated that though after abolition of unequal treaties China should [not?] expect encroachments on her sovereignty nevertheless as long as international affairs are not conducted by idealists China must realistically measure what she would gain against what she would lose.

He strongly favored Chinese participation as beneficial effects would accrue from monetary stabilization. He felt China had more to gain from supporting the United States since with the development of Chinese trade China would inevitably find Britain, but not the United States, a competitor.

The Minister of Finance summing up said China must participate and must work closely with America. He requested those present to submit to him proposals which China might make on the lines of the discussion. These proposals, which he warned the meeting should not be made tonight, will be worked into an integrated plan by the Ministry of Finance to be submitted to the Generalissimo for his OK. [Adler.]

VINCENT

893.60/65 : Telegram

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

CHUNGKING, April 30, 1943.

[Received April 30—9:28 a. m.]

624. Generalissimo Chiang, addressing newly formed Industrial Reconstruction Planning Conference on 27th, made a strong plea for close collaboration between the Government and industrial circles. He asked why the Chinese with vast territory and rich potentialities had not progressed industrially whereas the Japanese have made such remarkable progress. Answering his question he said that the backwardness of Chinese industry was due to its failure to link up with politics. "We must realize that the developments of industry largely depend upon the collaboration of the Government; in other words industry and politics must go hand-in-hand." He said that previously there was not only no coordination between the industrialists and the Government but none even among the industrialists them-

selves and advised that the present Conference offered an opportunity to overcome this great impediment to the development of industry and to study and understand each other's problems. He concluded by emphasizing that all phases of industrial reconstruction should be motivated by a desire for the realization of the principles of San Min Chu I.^{16a}

VINCENT

893.51/7690 : Telegram

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

CHUNGKING, April 30, 1943—noon.

[Received May 1—12:30 a. m.]

629. To Secretary of Treasury from Adler. Reference my TF-115.¹⁷ It will be noted that the articles summarized are somewhat vague which is partly due to fact that Ministry of Information has issued instructions for newspapers not to take any definite stand until further notice. Nevertheless, these articles reflect the two dominant and conflicting trends in the Chinese approach to postwar problems, both in the monetary sphere in particular, and the economic in general; namely, a strong and assertive nationalism on the one hand and recognition of the need for external assistance on the other. The trend towards an assertive nationalism receives support from the very highest quarters—I understand that in the draft of the new book the Generalissimo is writing on economic policy he favors high protective tariffs, strict exchange control, et cetera] (the article summarized from the *China Times* was written by Chu Ping-nan, member of the Generalissimo's so-called brain trust). There is a sufficient body of realistic opinion in the Government to make it likely, however, that China will cooperate with friendly powers whenever specific questions involving such cooperation arise of which a clear instance is afforded in the discussion reported in TF-114.^{17a} [Adler.]

VINCENT

893.50/299a : Telegram

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

WASHINGTON, May 10, 1943—10 p. m.

602. Department looks forward to receiving concise report by air mail of Industrial Reconstruction Planning Conference and the 140

^{16a} The "Three People's Principles" of Sun Yat-sen.

¹⁷ Not printed; it submitted a summary of press comment on schemes for international monetary stabilization.

^{17a} Telegram No. 621, April 29, 5 p. m., from the Chargé in China, p. 850.

proposals for industrial reconstruction reportedly discussed and presented to Central Government for consideration. Also details of Sixteenth Annual Meeting of Chinese Economic Society and its recommendations. Was any official sanction given at either of these conferences to the so-called "Draft Outline of the Principles for China's Post-war Economic Reconstruction". Details of the Five Year Post-war Industrial Reconstruction Plan for China which Chinese broadcasts report were formulated at the Conference and of Doctor Wong Wen-hao's¹⁸ suggestion that part of the industrial equipment in Japan should be turned over to China after the conclusion of the war to implement this plan would be of particular interest.¹⁹

HULL

893.50/302

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

No. 1175

CHUNGKING, May 12, 1943.

[Received May 31.]

SIR: I have the honor to enclose two memoranda by Mr. J. Bartlett Richards, Commercial Attaché, as well as a summary of the conclusions reached at a recent forum of college professors and economists, all on the subject of post-war reconstruction.²⁰

This is a subject that has been receiving a good deal of attention in China, officially as well as academically. So far, however, official interest has been confined within the limits of individual ministries and there has been no attempt to formulate a comprehensive and unified project for reconstruction that would embody the ideas of those in charge of agriculture, industry, transportation, social affairs, education, finance etc. It is perhaps natural that individual ministries should desire to formulate their own ideas and reach internal agreement on them before trying to fit them into a comprehensive project. In the case of the Reconstruction Conference recently concluded, to which reference is made in the enclosed memorandum dated May 7, it does not appear that the officials and economists of the Ministry of Economic Affairs and the closely-allied National Resources Commission, who comprised the delegates to the conference, were able to draw up anything very clear or definite in the way of a plan of reconstruction.

The National General Mobilization Council is planning to call a comprehensive conference for the first week in June on the more urgent question of increasing wartime production. It is believed

¹⁸ Chinese Minister of Economic Affairs.

¹⁹ See despatch No. 1196, May 18, from the Chargé in China, p. 854.

²⁰ None printed.

that some attention may also be given to post-war reconstruction projects. The Ministries of Economic Affairs and Agriculture will share in the direction of the Production Conference, as it will be called, and there will be representatives of the Ministries of War, Finance, Communications, Social Affairs, Food, Education, the National Health Administration, the Joint Board of the Four Government Banks, the National Conservancy Commission, the Commission for the Control of Liquid Fuel, the Chungking Municipal Government, the various provincial governments, and industrial and mining organizations as well as experts invited by the government.

The Supreme National Defense Council is planning to hold a conference toward the end of May, to discuss a number of major political and administrative questions. It is believed that post-war reconstruction will receive some attention, as one of the principal units of the Council, the Central Planning Board, is preparing a 5-year post-war national defense and economic reconstruction plan and a 10-year plan for the development of the Northwest.

Respectfully yours,

JOHN CARTER VINCENT

893.50/303

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

No. 1196

CHUNGKING, May 18, 1943.

[Received June 16.]

SIR: With reference to the Department's telegram no. 602, May 10, 10 p. m., in regard to the Industrial Reconstruction Planning Conference held in Chungking from April 26 to May 6, as well as the Sixteenth Annual Meeting of the Chinese Economic Society, there is enclosed herewith a memorandum of conversation between Dr. Wong Wen-hao, Minister of Economic Affairs and the Embassy's Commercial Attaché.

The Embassy hopes to be able to forward additional information on this subject in the near future and will also report as completely as possible on other scheduled conferences, including a Production Conference to be held early in June, under the auspices of the National Mobilization Board, and a conference of the Supreme National Defense Council, to be held at the end of May, in which the Central Planning Board is expected to play a prominent part.

It is not believed that anything of particular importance came out of the Sixteenth Annual Meeting of the Chinese Economic Society. According to a member, it was not attended by any prominent officials and did not agree on any recommendations as to economic reconstruc-

tion. The Embassy is endeavoring to obtain additional information on the subject.

It is believed that the enclosed memorandum and future reports on the subject may be of interest to the Board of Economic Warfare and to the Bureau of Foreign and Domestic Commerce.

Respectfully yours,

GEORGE ATCHESON, JR.

[Enclosure]

*Memorandum of Conversation, by the Commercial Attaché in China
(Richards)*

[CHUNGKING,] May 14, 1943.

Dr. Wong Wen-hao, Minister of Economic Affairs, was very reluctant to discuss the recent Industrial Reconstruction Planning Conference and suggested that it would be much better for Dr. T. V. Soong to give out the information in Washington. He mentioned that even the delegates who attended the conference have not been permitted to keep their minutes, but was not entirely clear as to why such secrecy should be observed, his only explanation being that the proposals discussed at the conference have no official standing unless they are approved by the Generalissimo and the Executive Yuan. He admitted that there were proposals discussed and that there were approximately 140, but he made light of them, saying that they were of no importance.

With regard to the five-year plan for post-war industrial reconstruction, Dr. Wong said that the conference did not go into much detail but merely discussed estimates of the cost of such a plan. It was agreed that an industrialization project such as China could afford would not be very imposing from the western point of view and would not even bring China up to a par with India industrially, but that it is better to be realistic and not to undertake anything too ambitious. In the case of steel, it was agreed that China might try for a production of about 2,000,000 tons a year, of which Japanese equipment already in China, if not destroyed, would account for nearly half. Part of the steel industry would be located in the Yangtze Valley, where there is a big market but only limited ore reserves, but most of it would have to be in Manchuria, where there are fairly good ore reserves but which is remote from the principal markets. Other industrial projects would be devoted to the manufacture of machinery, farm implements, heavy chemicals, etc. Dr. Wong does not favor a large armaments industry, unless Japan should be permitted to retain important heavy industries with the potentiality of resuming arms production.

Dr. Wong said that he has not publicly made any suggestion that part of the industrial equipment in Japan be turned over to China, but that he did discuss it once at a dinner party and feels that it is a good suggestion, not only because China is entitled to reparation from Japan but also because Japan will continue a source of uneasiness in the Far East so long as she is permitted to retain on a large scale heavy industries that could be turned to arms production.

Dr. Wong said that the Ministry of Education participated with the Ministry of Economics in the Industrial Reconstruction Planning Conference and that the Minister of Communications had a representative present, though he could not attend himself.

Comment: As Dr. Wong was able to spare only twenty minutes, I was not able to question him as closely as I should have liked. I got the impression that he would prefer to avoid the responsibility of deciding what might be given out, but he agreed to think it over and talk to me about it again in a few days. Though he insisted that the 140 proposals were of no particular importance, I got the impression that he was reluctant to discuss them, at least until the Generalissimo and the Executive Yuan have had a chance to consider them. Dr. C. C. Chien, Vice Chairman of the National Resources Commission, with whom I discussed the Industrial Reconstruction Planning Conference last week, obviously did not feel that he could give out any information about it without permission.

J. BARTLETT RICHARDS

893.50/306

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

No. 1233

CHUNGKING, June 4, 1943.

[Received July 3.]

SIR: There is enclosed herewith a memorandum²¹ summarizing an article which appeared in the *Daily Bulletin* of the China Information Committee for May 24, on the subject of a meeting held in Chungking by about 100 Chinese from the South Seas, to discuss their post-war policies.

It will be observed that, according to the *Bulletin*, the South Seas Chinese are primarily interested in recovering their properties after the war and in improving their legal status in the various areas where they have their enterprises. They feel that in the past they have not been given equality of treatment in most of the political entities of the South Seas and south-east Asia.

With regard to their own post-war policies, the principal speaker at the meeting mentioned in the *Bulletin* urged that overseas Chinese devote their capital and energies to rebuilding Chinese enterprises in

²¹ Not printed.

the South Seas, thus cooperating with the reconstruction effort at home by supplying various materials needed in China and by helping in the distribution of Chinese goods, rather than by investing their money in industry in China.

Respectfully yours,

GEORGE ATCHESON, JR.

893.50/305

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

No. 1247

CHUNGKING, June 9, 1943.

[Received June 25.]

SIR: Reference is made to the Embassy's despatch no. 1175, May 12, and other despatches on the subject of post-war reconstruction plans for China.

There is enclosed herewith a memorandum²² of a conversation between Dr. Wong Wen-hao, Minister of Economic Affairs, and the Commercial Attaché, from which it will be observed that a program based on an annual production of 2,000,000 tons of steel is regarded by Dr. Wong as practical, from both the technical and financial points of view. A quarter of this proposed production would be needed to build 5,000 kilometers of railway lines annually and supply the bodies for freight cars to be used on those lines. A substantial amount would be used to build small ships, of 100 to 500 tons, for inland transportation, and ship yards equipped to repair ships of all sizes. Ships for coastal traffic would be bought abroad and Dr. Wong does not believe that China will attempt to compete in trans-oceanic transportation.

Agriculture's greatest needs, according to Dr. Wong, are irrigation and fertilizer. Chemical plants will be needed to produce fertilizer and other heavy chemicals.

Production of machines will be most important in building up industry in China but so far this element of the industrialization program has not been considered in any detail. As a first step, a number of Chinese engineers now in the United States on various missions, or shortly to proceed there, are to study American factory methods and make suggestions as to their application to China's industrialization program.

While Dr. Wong insisted that he was speaking only as an individual, it is probable that his remarks, so far as they went, represented the position of the Ministry of Economic Affairs and the Industrialization Reconstruction Conference.

Respectfully yours,

GEORGE ATCHESON, JR.

²² Not printed.

893.504/132

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

No. 1259

CHUNGKING, June 14, 1943.

[Received July 3.]

SIR: Reference is made to the Embassy's despatch No. 1057, April 7, 1943,²³ on the subject of the annual meeting of the Chinese Association of Labor, and to the Department's telegram No. 668, May 26,²³ requesting a résumé of important resolutions adopted at that meeting and indicating particular interest in those relating to post-war economic matters.

According to Mr. Chu Hsueh-fan, President of the Chinese Association of Labor since 1938, resolutions were adopted under five categories, as follows:

Resistance and Reconstruction.

1. The government should be asked to inaugurate courses of technical training to meet industrial needs.
2. Every effort should be made to bring workmen from the occupied area for work in productive enterprises in Free China.
3. The CAL should sponsor the "One Million Workers Savings Movement" to facilitate the resistance and reconstruction program of the nation.
4. The CAL should help the government in carrying out the national mobilization program.
5. A nation-wide drive among workers should be started with a view to contributing aeroplanes to the government.
6. Serious efforts should be made to adjust and consolidate relations between capital and labor, with a view to increased production.

International Problems.

1. Representatives of labor from all nations should attend the peace conference.
2. The government should organize institutes for post-war international economic research, including representatives of labor and capital.
3. A labor delegation should be sent to visit the several United Nations, with a view to strengthening the relations between labor in China and in allied countries.

Organization and Training.

1. Labor organizations should be strengthened and the labor movement promoted.
2. The government should be asked to prevent factories from enticing labor from other factories and workmen from jumping from one factory to another.

²³ Not printed.

Labor Welfare.

1. The government should be asked to supervise the carrying out of the Labor Welfare Fund Regulations and to promote labor welfare work.

2. The government should be asked to make an earnest effort to carry out labor welfare work in Chungking, as an example to the rest of China.

Labor Legislation.

1. The government should be asked to increase labor representation in the Peoples' Council, with a view to paving the way to a more democratic government.

2. The government should be asked to publish the Labor Policy Outlines adopted by the National Social Administration Conference.

3. The government should be asked to pass a law protecting women and children.

4. The government should be asked to pass social security legislation and to enforce the present factory laws, including that providing for workmen's compensation.

It will be noted that many of the resolutions show the influence of the Ministry of Social Affairs and it is difficult to believe that the Chinese Association of Labor represents an independent labor movement.

There is enclosed a memorandum²⁴ of a conversation of June 10 between Mr. Chu and an officer of the Embassy on the subject of the Chinese labor movement. Mr. Chu, as it will be observed from this memorandum, stated that his organization is cooperating in every way with the government during the war. He pointed out, however, that the Shanghai General Labor Union, of which the CAL is an outgrowth, staged a general strike in 1932, and indicated that the CAL is prepared to resort to strikes to gain its ends, after the war. While he does not have statistics of total factory labor in Free China, he believes that the 422,000 members of the CAL represent about half the workmen in factories employing over 30 men, and feels that they will have a very substantial influence.

Asked as to the results secured thus far by the labor movement, Mr. Chu admitted that they have not been very considerable. He said that some very good laws have been passed but none of them have ever been enforced. Chinese factory owners have in the past used extraterritoriality as an excuse for ignoring the laws, claiming that foreign factories were not bound by them. A much-needed law has just been passed providing for inspection of mines, but Mr. Chu does not have much confidence that it will be enforced during the present circumstances. After the war, he hopes that conditions will improve.

Respectfully yours,

GEORGE ATCHESON, JR.

²⁴ Not printed.

893.50/321

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

No. 1371

CHUNGKING, July 21, 1943.

[Received August 21.]

SIR: I have the honor to transmit herewith a copy of an article appearing in the *Daily Bulletin* of the China Information Committee for June 12, 1943,²⁵ proposing that agriculture be made the basis of post-war reconstruction in China.

This article, a condensation of an article originally published in the *Ta Kung Pao*, an influential independent Chungking newspaper, and written by Tung Shih-tsin, a well-known Chinese agriculturalist, is of particular interest because the agricultural point of view is rarely presented in discussions of post-war reconstruction. As the farmer is inarticulate and farming is unspectacular, it is natural that plans for large-scale industrialization should have a greater appeal to the imagination of writers and planners. A realistic reminder that agriculture is and must continue to be the first industry of China should serve a useful purpose.

The point is made in the article that industrial development in China after the war will depend on the availability of raw materials, including many of agricultural origin. An adequate textile industry, it is asserted, cannot be built up on China's production of a little over a million bales of cotton and 50 million pounds of wool a year. The importance of agricultural production to other industries is equally obvious. With the progress of chemistry in the development of synthetic materials, including plastics, the reliance of industry on agriculture is greatly increased.

China, it is stated in the article, does not produce enough food and textile material for its own needs. The production of seven major agricultural products in Szechuan is said to have shown a downward trend since 1939. The first step toward becoming a modern country is to elevate the standard of living and this must be done by assuring the people enough food and clothing. The success of industries, moreover, will depend on the prosperity of the farming districts, which will be the principal markets for the products of industry.

Respectfully yours,

For the Chargé d'Affaires a. i.:

J. BARTLETT RICHARDS

Commercial Attaché

²⁵ Not reprinted.

893.50/327

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

No. 1375

CHUNGKING, July 22, 1943.

[Received August 21.]

SIR: I have the honor to enclose a copy of despatch no. 16 of June 27, 1943 from the Embassy's officer at Sian,²⁶ in which he reports the arrival at Sian of the Northwest Reconstruction Investigation Commission.

It is stated in the despatch that following the Generalissimo's trip to the Northwest in 1942, General Chiang conceived great hopes for the future development of that area and, as a consequence, despatched the Commission to proceed to Shensi, Kansu, Ninghsia, Chinghai and Sinkiang to investigate conditions on the spot as well as to prepare a long-term reconstruction plan for these provinces. Reliable information indicated that the Commission planned to remain in Sian for about one week and that its "investigation" would merely comprise the gathering of data from various organizations which would be utilized to prepare the comprehensive plan apparently desired by the Generalissimo.

Mr. Drumright states that according to press reports, members of the Commission investigated water conservancy, reclamation, soil, geography, highway, health and educational conditions in the Sian area. It is indicated in the despatch that apparently the members have neither the time nor the capacity to make detailed investigations regarding agricultural, conservancy, communication, industrial, education, health and other matters that need to be examined and correlated if reconstruction of the Northwest is to be attained.

In conclusion Mr. Drumright states that the recent attention focused on the Northwest is considered to be partly strategical, and that increasing attention will probably be given to bringing Sinkiang within the direct political and economic control of the National Government.

Respectfully yours,

For the Chargé d'Affaires a. i.:

J. BARTLETT RICHARDS

Commercial Attaché

²⁶ Everett F. Drumright, Second Secretary of Embassy in China; despatch not printed.

893.50/325

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

No. 1397

CHUNGKING, July 26, 1943.

[Received August 21.]

SIR: I have the honor to transmit herewith a copy of an article appearing in the *Daily Bulletin* of the China Information Committee for June 24, 1943,²⁷ summarizing an address made at a meeting of the China Social and Economic Reconstruction Association by Dr. Y. C. Koo, Acting Vice Minister of Finance and General Manager of the Farmer's Bank.

Dr. Koo emphasizes the importance of rural industries in the reconstruction of China's economy, pointing out that such industries would give both full-time and part-time employment in the over-crowded farming districts, increasing the prosperity of those districts and making unnecessary a movement of the rural population to the cities to seek work. Rural industrialization would also alleviate the transportation problem to some extent, if mills were planned with a view to using locally-available raw materials and selling in nearby markets. (A list showing the various provinces to which certain industries are suited is given in the article.)

Rural industrialization, according to Dr. Koo, would modernize the farm districts and improve farming methods by increasing production of farm implements, fertilizer, insecticides etc. and by making the farmers sufficiently prosperous to purchase these and other products. Hydroelectric power is to be made available by a Rural Hydraulic Power Company, which the Farmers Bank and the National Conservancy Commission are preparing to organize.

Some observers believe that there will be a movement of industry back to the former treaty ports and other large industrial centers after the war and that such suggestions as those advanced by Dr. Koo, meritorious though they seem, will be given inadequate attention. It may be noted, however, that in various districts of Free China which were not industrialized to any extent before the war, there are now a number of factories engaged in the production of a wide variety of goods. In Shensi, for example, a cotton and wheat-growing province, a number of cotton and flour mills have recently started production. Kweilin, in Kwangsi Province, has developed into a fairly important industrial center and several towns in Hunan are active industrially, despite the proximity of enemy forces. Szechuan Province has nearly half the factories in Free China, centered around Chungking and Chengtu, and Yunnan Province has a number of active industries.

²⁷ Not reprinted.

The Chinese Industrial Cooperatives has about 1600 member cooperatives, located in cities and villages all over Free China and producing a wide variety of goods. While some of these industries will undoubtedly be moved back to the port cities after the war, it is believed that most of them will remain and serve as a nucleus for a possible industrial decentralization program. The growth of village and farm industries will probably depend on the success of the Chinese Industrial Cooperatives, now undergoing a drastic reorganization.

Respectfully yours,

For the Chargé d'Affaires a. i.:

J. BARTLETT RICHARDS

Commercial Attaché

893.50/326

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

No. 1413

CHUNGKING, July 31, 1943.

[Received August 21.]

SIR: I have the honor to report that a despatch dated July 24, 1943, has been received from the Consulate General at Kunming, in which reference is made to the interest of a group of prominent Chinese political figures in acquiring second-hand machinery from the United States for use in the post-war economic rehabilitation of China.

The group, which is said to include Dr. H. H. Kung, is reported to be operating through a company styled the China Industrial Corporation, of which a Mr. C. C. Chang is the director. The members of the group, it is said, prefer to remain anonymous for the present, as they have not decided whether the venture should be for the account of the government or for their private account. The Chinese Industrial Corporation is reported to have at least US\$100,000 at its disposal for the immediate purchase of used machinery in the United States, delivery presumably to be made as soon as possible after the war. The purpose in making purchases at this time would appear to be to forestall competition from other countries that are expected to be in the market for industrial machinery after the war.

The Embassy was recently approached by Mr. Shen Li-ren, an accountant from Shanghai, who claimed to be representing a group of wealthy Chinese in Shanghai interested in the promotion of a scheme for the post-war industrialization of China, under which American companies would supply used machinery and Chinese capitalists would supply capital, in exchange for shares in manufacturing companies to be formed in China. The scheme was grandiose and impractical, but illustrates another aspect of the interest in China in obtaining American machinery after the war.

Further evidence of Chinese interest in American machinery is afforded by a number of inquiries received from manufacturers or promoters who desire to place orders for new or used American machinery at this time, for delivery as soon as possible after the war. Some of these inquirers indicate that they would be prepared to deposit cash with their orders, in order to be assured of priority in post-war delivery.

Respectfully yours,

For the Chargé d'Affaires a. i.:
J. BARTLETT RICHARDS
Commercial Attaché

893.50/327a : Telegram

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

WASHINGTON, August 21, 1943.

1164. An Associated Press item from Chungking under date August 11 quoted a proposal submitted by Dr. Kung to the Executive Yuan suggesting that "the Executive Yuan instruct the ministries concerned to draft new regulations providing due protection of law so that foreign capital and technique might be utilized fully in our national program of reconstruction."

The Department will appreciate receiving information and comment regarding this proposal in a brief telegram to be expanded into a mail despatch if sufficient information is obtainable. Adler may be of assistance in supplying information and comment.

WELLES

893.50/338 : Airgram

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

CHUNGKING, August 31, 1943—3 p. m.

[Received September 18—1 p. m.]

A-48. Department's telegram No. 1164, August 21, and Embassy's telegram No. 1607, August 31.²⁸ Dr. Kung's proposal in question was approved by the Executive Yuan in early August and was referred to the Ministries of Finance, Communications and Economic Affairs for the drafting of appropriate regulations. An informed Chinese official states that the purpose of the proposal is to allay any fears foreign investors of capital and technical personnel may have regard-

²⁸ Latter not printed; referring to Department's telegram No. 1164, it stated: "It is understood that matter is only in preliminary and tentative state at present and that proposal in question has been referred to competent authorities for drafting of appropriate regulations". (893.50/330)

ing their status as a result of the abolition of extraterritoriality. The Legislative Yuan is reported to have appointed a special committee to study legislation to be adopted in order to carry out Kung's proposal.

In this connection, the Ministry of Economic Affairs is said to have submitted recently to the Legislative Yuan the draft of a new patent law under which registration of patents by aliens is to be effected. According to informed opinion, such new law is not likely to be put into effect until new Sino-foreign commercial treaties are concluded. We are endeavoring to obtain a copy of the draft patent law for forwarding to the Department.

It is reliably reported that Kung will present a similar resolution to the Central Executive Committee at its scheduled meeting beginning September 6. The Chinese official mentioned in the first paragraph states that the resolution will be more detailed than the proposal submitted to the Executive Yuan and that it will probably give some indication of the types of foreign investment desired and the conditions under which such investment will be permitted.

Embassy will expect to report further when additional information is available.

ATCHESON

893.50/335 : Telegram

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

CHUNGKING, September 16, 1943.

[Received September 16—11 : 26 a. m.]

1728. Embassy's 1607, August 31.²⁹ Following are excerpts from (1) resolution on industrial reconstruction and (2) resolution on policy for encouraging foreign investments adopted by Eleventh Plenary Session of CEC September 11th as reported by Central News Agency :

1. [" Industrial reconstruction shall be a planned one, mapped out by the Government according to the principles laid down in the San Min Chu I and Dr. Sun Yat-sen's industrial program.

The Central Government shall formulate a comprehensive nationwide plan for the establishment of industrial areas which is to be based upon the requirements of the national economy, existing communication facilities and the location of natural resources.

In the post-war industrial reconstruction, the Government shall adopt the policy of emphasizing a simultaneous development of state and private industries which shall be operated on a division of labor

²⁹ Not printed ; see footnote 28, p. 864.

and collaboration basis, under a complete industrial reconstruction plan, so that the production quota prescribed for various categories of industries may soon be reached.

Industries which may be entrusted to individuals, or industries which will be less suitable for the state to operate shall be privately operated. The Government in such cases shall give them encouragement and the protection of the law. Industries, the operation of which cannot be entrusted to individuals, or industries which assume the nature of monopoly, shall be state operated. The Government shall stipulate specifically what constitute state-owned industries, and what constitute private industries.

In order to increase international trade, export industries shall be given encouragement and support. Encouragement and commendation shall also be given to the people for the manufacture of goods for export as well as for the operation of export industries.

In order to speed up the completion of the industrial reconstruction plan, foreign capital and technical cooperation shall be welcomed."

2. "All restrictions applying to Chinese-foreign joint enterprises shall be revised. Hereafter no fixed restriction shall be placed on the ration of foreign capital investment in joint enterprises. In the organization of a Chinese-foreign joint enterprise, although the chairman of the Board of Directors must be a Chinese the general manager need not necessarily be a Chinese. The foregoing terms of cooperation shall become effective after an agreement by the parties concerned has been reached and the approval of the Government secured. At the same time, aliens, in accordance with the provisions of Chinese laws and regulations, and having received the sanction of the Chinese Government, may invest in private enterprises in China. Negotiations for foreign loans for state enterprise shall be centralized. Private individuals may negotiate foreign loans for their enterprises and such loan agreements shall become effective following the approval of the Government. The Government shall determine at an early date which categories of state enterprises may accept foreign investment and which categories may seek foreign loans."

ATCHESON

893.50/336 : Telegram

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

CHUNGKING, September 16, 1943—9 a. m.

[Received 1:56 p. m.]

1729. CEC resolution on industrial reconstruction (Embassy's 1728, September 16) apparently points to continuation and increase of Government monopolies and control over industry which has been indicated in recent years. The National Government is expected to reserve to itself heavy industry on grounds of its relation to national defense, and to leave to private enterprise light industry as less suitable to Government operation. The resolution leaves to governmental decision which industries shall be private enterprise, which state op-

erated and which state owned, and existing Government monopolies are therefore expected to continue. The encouragement and protection of the law for private industry envisaged in the resolution probably look toward protective tariffs, the necessity for which the Chinese press has recently emphasized. The establishment of Government socialized control of Chinese industry may meet strong opposition from Chinese industrialists who during war time have been powerless to prevent governmental encroachments in their field and who may be expected to become more vocal after the war and their return to the coastal areas.

It is likely that the recognized need for foreign capital in China's reconstruction caused the adoption of a relatively liberal policy toward foreign investment and that it was felt desirable to take this step in order to counteract many unofficial and semi-official press articles of extreme nationalistic tone published in recent months. A responsible Chinese official informs us that the resolution represents a genuine liberal attitude among Government leaders toward foreign investment in China and, necessarily, has Chiang Kai-shek's hearty support. The adoption of this policy toward foreign investment, together with the CEC resolution on constitutional government,³⁰ gives further indication of the extent to which the Chinese Government is dependent upon the United States and is sensitive to American criticism.

ATCHESON

893.50/345

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

No. 1595

CHUNGKING, September 18, 1943.

[Received October 14.]

SIR: I have the honor to refer to the Embassy's telegrams nos. 1728 and 1729, both of September 16, 1943, in regard to the C.E.C. resolutions on industrial reconstruction and foreign investments, and to transmit herewith a translation, taken from the English edition of the Central News Agency of September 11, 1943,³¹ of a resolution approved on that date by the Central Executive Committee of the Kuomintang, proposing a policy for the treatment of foreign investments in China.

An officer of the Embassy was recently informed by a responsible Chinese official that this resolution, which was introduced by Dr. H. H. Kung, Vice President of the Executive Yuan and Minister of Finance, was originally drafted by the Central Planning Board and

³⁰ See telegram No. 1706, September 14, p. 335.

³¹ Not reprinted.

was approved by the Executive Yuan before its introduction at the plenary session of the C.E.C. It is also said to have received the hearty approval of General Chiang Kai-shek. It may therefore be said to represent a declaration of official policy on the question of foreign investments. It will be sent by the Central Executive Committee to the Executive Yuan, according to the informant, which will recommend to the Legislative Yuan the legislation necessary to implement its provisions. It is not possible at this time to say when such legislation may be expected to be enacted.

The proposals made in the resolution, as interpreted by a Chinese official who was actively concerned in the drafting, are as follows:

1. The present limit of 49 per cent on foreign participation in companies jointly owned by Chinese and foreign investors should be removed and no limit placed on foreign financial participation, provided the investors agree and the approval of the government is obtained.
2. The present requirement that the general manager of such jointly owned companies must be a Chinese should be repealed. Sino-foreign companies should be permitted to choose foreign general managers, with governmental approval. The Chairman of the Board of Directors should be a Chinese, however.
3. Aliens, with the approval of the Chinese Government and subject to the provisions of Chinese laws and regulations, should be permitted to make direct investments in China.
4. Private individuals and firms should conduct their own negotiations for foreign loans, the arrangements arrived at to be subject to government approval.
5. Negotiations for foreign loans by state enterprises should be placed under unified control.
6. The government should decide at any early date which categories of state enterprises may be permitted to sell shares to foreign investors and which categories may invite foreign capital only in the form of loans.

According to the informant, the resolution as drafted by the Central Planning Board and approved by the Executive Yuan, was more detailed and specific than that adopted by the C.E.C. A committee of the C.E.C. preferred that it should be "a little more general" but did not alter the spirit of it. The informant did not care to say what specific points had been taken out but it is believed that there was originally some reference in the resolution to foreign concessions for the exploitation of natural resources.

The purpose of the resolution is said to be clarification of the situation caused by the abolition of extraterritoriality and assurance to foreign capital of protection and opportunity to invest in China. It is probable that an official declaration of a relatively liberal character was felt desirable as a means of counteracting the considerable volume of unofficial and semi-official articles of an ultra-nationalistic nature

which have been published in China in recent months, in view of the recognized need for foreign capital in China. It will be noted that the concessions proposed in the resolution are in each case limited by a provision requiring government approval, which, in the hands of an illiberal administration, might conceivably be used to nullify those concessions. It is probable that foreign capital will place less confidence in resolutions, or even in such laws and regulations as may be passed to implement them, than in the manner in which they are enforced and the general attitude of Chinese officials toward foreigners and foreign business. It is believed, nevertheless, that the Kung resolution gives an encouraging indication of the recognition by key Chinese officials of the need for foreign capital and of the fact that such capital will not be attracted by chauvinistic pronouncements.

Respectfully yours,

For the Chargé d'Affaires a. i.:

J. BARTLETT RICHARDS
Commercial Attaché

893.50/346

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

No. 1639

CHUNGKING, September 29, 1943.

[Received October 14.]

SIR: I have the honor to refer to the Embassy's despatch no. 1375, July 22, 1943 in regard to the Northwest Reconstruction Investigation Group and to enclose a copy of Tihwa's despatch no. 39, September 9, 1943²² on this subject.

Summary: The Group of over 20 members, arrived at Tihwa on August 11 by automobile, proceeded to Ining (Kuldja), returned to Tihwa, departed for Kashgar on September 5, and are expected back in Tihwa in mid-October. The leader, Dr. Lo Chia-lun (concurrently Supervisory Commissioner designate for Sinkiang), returned to Chungking about September 4, assumably to attend the Central Executive Committee meeting, but will probably go again to Sinkiang to assume his supervisory duties. The members of the Group (whose names and titles are appended to the despatch) are men of standing in their respective fields and their trip should result in the collection of useful data. The local press has evinced little interest in the party. The one pertinent editorial might be interpreted to mean that Kuomintang officials are welcome in Sinkiang only if they are in position to benefit the province. Two other investigation groups are now in Sinkiang: one of scientists from the Academia Sinica and the other—a possible rival of the Northwest Reconstruction Investigation Group—the Investigation Group of the Sun Yat Sen Society. Kuomintang postwar planning is generally impractical, assuming as it does that implementation of the plans evolved will be effected, appar-

²² Not printed. O. Edmund Clubb was Consul at Tihwa.

ently gratis, by the victorious United Nations, especially the United States.³³

Respectfully yours,

C. E. GAUSS

893.50/351

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

No. 1645

CHUNGKING, September 29, 1943.

[Received October 29.]

SIR: I have the honor to refer to the Embassy's despatch no. 1595, September 18, 1943, on the subject of Chinese official policy in regard to investment of foreign capital, and to transmit herewith a copy of despatch no. 152, September 9, 1943, from the Embassy officer of Chengtu,³⁴ with its enclosure, translations of articles from two Chengtu newspapers urging limitations on the employment of foreign capital in China. There are also enclosed three excerpts from Chungking newspapers, which are likewise concerned with this question.³⁵

Mr. Smith's despatch is summarized as follows: The Central News article urges that sufficient protection be given foreign capital to ensure its safety but that there be restrictions to prevent manipulation and abuses; utilization of foreign capital should be directed by the government and direct investment should not be permitted. An article in the May 1943 issue of *The New Economics* holds that "the key to the utilization of foreign capital is for us to hold the sovereignty and management control in our hands" and urges that direct investment not be permitted. The *Hsinmin Evening News*, placing the amount needed for industrial reconstruction at CN \$5,000,000,000 plus US \$5,000,000,000, suggests that the latter amount be raised abroad by a special committee in the form of long term credits to be refunded by installments. These articles give some support to statements that the trend in China is toward government monopoly of major economic enterprises and the exclusion of foreign influence, but it is believed that many influential Chinese financial leaders realize that there are limits to the advantages of such a policy. *End of summary.*

The enclosed excerpt from an article in the English edition of the Central News Agency Bulletin of August 25, 1943 urges that foreign

³³ In a memorandum dated December 14, 1943, Granville O. Woodard of the Division of Far Eastern Affairs pointed out that Consul Clubb's despatch "includes the following interesting footnote: 'One can already discern in contemporary Kuomintang thought the outlines of an argument which may get greater emphasis in the post-war reconstruction period: i. e., China has had restored to it a legal international equality, but its subjection for a century to "imperialistic domination" has retarded its economic development and strict justice requires that in compensation it shall be given economic equality as well, that is, that the economically advanced nations shall contribute of their power and goods until the Chinese economy is brought up to the general level of their own. This argument of course has no reference to natural resources, ratio of population to land, and other economic factors which would receive attention in a scientific consideration of the subject'."

³⁴ Horace H. Smith; despatch not printed.

³⁵ Enclosures not reprinted.

capital be directed into the most useful channels by the government, with direct investments prohibited except by special permission, and that, where foreign management is permitted, there be a provision requiring training of Chinese personnel to take over the management after a specified period. Mr. Chang Ju-kiang, an economic writer in an article in the *Hsin Min Pao* of September 19, 1943, an excerpt from which is enclosed, argues for strict control of foreign enterprises but does not ask for prohibition of direct investments of foreign capital, the Central Executive Committee of the Kuomintang having already gone on record, before the publication of his article, as favoring direct investments. Mr. Kao Ping-shu, in an economic article in the *Ta Kung Pao* of September 12, 1943, reviewed in the *Daily Bulletin* of the China Information Committee of September 17, 1943 (a copy of which is enclosed), estimates that China will need US \$6,500,000,000 of foreign capital in the first five years of reconstruction and sees no need for special restrictions on foreign investment, as foreign capital and foreign factories will be subject to Chinese laws and regulations. It is probable that Mr. Kao's article was written after the announcement (September 11, 1943) of the CEC resolution favoring a liberal attitude toward foreign capital (Embassy's despatch no. 1595, September 18, 1943).

The CEC resolution, favoring removal of restrictions against foreign control of Sino-foreign companies, permission for direct investments in China by aliens and permission for private firms to conduct their own negotiations for foreign capital (all subject to government approval), was apparently intended to counteract the effect of nationalistic articles such as most of the enclosed, and to reassure foreign investors. As a pronouncement of official and party policy, it should have a considerable effect on future articles in Chinese publications, on the subject of the utilization of foreign capital.

According to an official of the Ministry of Finance, a proposal for the organization of an insurance company to be controlled by the government banks, which would have been granted a monopoly of reinsurance on government properties, has been shelved because of the fear that it might be disturbing to foreign opinion. Embassy's A-65, Sept. 27, 1943.³⁶

Respectfully yours,

C. E. GAUSS

³⁶ *Ante*, p. 448. In a memorandum dated December 13, Granville O. Woodard of the Division of Far Eastern Affairs observed: "... in commenting on the press releases being transmitted with the despatch the reporting officer states that 'These articles tend to give some support to the pessimistic prophecies made during the past ten years, by observers of the trend of the Chinese Central Government toward monopoly control of all major economic enterprise and the exclusion of foreigners from such enterprises, but it is believed that many of the most influential Chinese financial leaders realize that there are limits to the practical advantages of such a policy.'"

893.50/341 : Telegram

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

CHUNGKING, October 5, 1943—9 a. m.
[Received 12:53 p. m.]

1860. Chinese Government's highly developed interest in postwar reconstruction, which we have previously discussed, is reflected anew in current reports that a special branch of the Government, possibly a new Yuan, is to be established for purpose of formulating and putting into effect definite plans for postwar reconstruction in China. According to some sources, T. V. Soong who is expected to reach Chungking by end of this week may head the new organization, at least nominally (it seems to be generally believed that he will not relinquish his post as Foreign Minister or remain for an extended time in Chungking). Part of plan if put into effect will assumably include (as it apparently already has in the past) obtaining Lend-Lease supplies having postwar utility.

GAUSS

840.50/2668 : Telegram

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

CHUNGKING, October 6, 1943—11 a. m.
[Received 11:07 a. m.]

1871. My 187 [1807], September 26.³⁷ I called on Generalissimo by appointment October 4 accompanied by Acheson and found suitable opportunity, in response to his inquiries as to American post-war plans, to give emphasis to the determination with which the American Government and people are devoting themselves to the primary task of achieving complete victory involving unconditional surrender by Germany and Japan and to say that we looked to our Allies including China to cooperate to that end with all the effort and resources at their command. He said that China can be counted upon to do her share.

The conversation lasted 50 minutes and Chiang was most cordial in welcoming me back and in his attitude throughout. Of the many questions he put to me it was apparent that his chief interest lay in those relating to the possibility of continuing Russian collaboration during and after the war, to American post-war plans and to the capacity of Americans and Chinese for friendly cooperation.

I took occasion to convey to the Generalissimo cordial greetings from President Roosevelt and Secretary Hull and to offer congratulations on his election to the Presidency of the Chinese Government.

³⁷ *Ante*, p. 132.

This and my conversations with other Chinese officials incident to my return will in due course be discussed and fully described by despatch.³⁸

GAUSS

893.01/965 : Airgram

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

CHUNGKING, October 12, 1943—10 a. m.

[Received October 27—5 p. m.]

A-71. Embassy's 1270, July 23, 8 p. m.,³⁹ final paragraph. Dr. Wang Chung-hui, Secretary General of the National Defense Council and former Foreign Minister, has stated to an officer of the Embassy in private conversation that he hopes and expects that after the war the Chinese Government will issue a mandate of general amnesty for Chinese puppet officials in the occupied areas. He said that of course some of the leaders would have to be punished—Wang Ching-wei most certainly although Chen Kung-po, "Mayor" of Greater Shanghai, would be a "doubtful" case.

As Wang Chung-hui is one of the President's closest advisers it is not unlikely that his statements reflect the trend of General Chiang's thought in the matter.

GAUSS

893.50/349

*Memorandum of Conversation, by the Assistant Chief of the Division of Far Eastern Affairs (Vincent)*⁴⁰

[WASHINGTON,] October 15, 1943.

Mr. Chang⁴¹ invited me to call on him at the Mayflower Hotel where he had very recently arrived from China. He and I were good personal friends during my stay in Chungking.

Mr. Chang described at some length his years of connection with the Chinese Government and with the Bank of China and his services with the Kuomintang. He had been opposed to the Bank of China becoming a government institution and had ceased to be head of the Bank as a protest against Dr. Kung's and Dr. Soong's plans for bringing the Bank more or less under Government control.

³⁸ See despatch No. 1693, October 18, p. 139.

³⁹ *Ante*, p. 434.

⁴⁰ Initialed by the Chief of the Division (Ballantine).

⁴¹ Chang Kia-ngau, former Chinese Minister of Communications and head of the Bank of China.

His resignation last year as Minister of Communications was due to a desire to take a needed rest for health reasons but I gather that he was not in accord with plans for communications development.

He is in the United States officially as an Adviser to the Executive Yuan. He has, however, a personal commission from President Chiang Kai-shek to investigate and report to President Chiang in regard to American collaboration in post-war reconstruction in China. His explorations will follow in general three lines: American financial and material support for Chinese Government plans for reconstruction; collaboration between private American and Chinese interests in the development of China; and development of Chinese-American foreign trade. He feels strongly that there is an opportunity outside of the Chinese Government's plans, for American and Chinese businessmen to get together on a mutually profitable basis for the development of China.

We talked for some time with regard to the form and line that Chinese industrial development should take. I pointed out the need for a coordinated plan for Chinese development (at present each Ministry and special organization of the Government has its own scheme for development). I also mentioned the need that reconstruction enterprises be directly related to China's economic situation; that China had an agrarian economy and that any industrial development that did not take this fact into consideration would be unsound. I also said that, in so far as possible, industrial enterprises should be self-liquidating. I said that these were phases of the matter in which I had found Americans interested.

Mr. Chang readily agreed. He said that it was along these broad lines that he expected to conduct his conversations in America. He admitted that there was too much talk now of the development of heavy industries; that greater emphasis should be placed upon raising the income of the agricultural population and on the development of light industries to supply consumers goods to the Chinese people. He said that he was not here to ask the American Government or American businessmen to "give" China something; that he was here to develop the thought that close economic association between China and the United States could prove beneficial to the peoples of both nations.

Dr. Chang said that he was going to Boston for a general check up and a rest; that in about a month he would return to Washington at which time he hoped to call on Mr. Hull, Mr. Acheson,⁴² Mr. Morgenthau and Mr. Harry White.⁴³ He said that President Chiang had suggested that he make these calls. Afterwards he intends to discuss

⁴² Dean G. Acheson, Assistant Secretary of State.

⁴³ Harry Dexter White, Assistant to the Secretary of the Treasury (Morgenthau).

with American officials and businessmen his ideas for post-war economic collaboration between China and the United States.

NOTE: Mr. Chang is generally looked upon in China as a man of sound judgement. He is conservative in politics and business. I doubt that he is in position to speak with much authority in so far as Chinese Government interests are concerned but he does represent a typical Chinese businessman-banker's point of view and in that respect it may be useful to hear what he has to say. He expects to be in America about one year.

893.50/354

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

No. 1696

CHUNGKING, October 18, 1943.

[Received November 6.]

SIR: I have the honor to refer to the Embassy's despatch no. 1595, September 18, 1943, on the subject of the Chinese official policy on foreign investments as expressed in a resolution approved by the Central Executive Committee of the Kuomintang, and to transmit herewith a copy of an editorial from the *National Herald*,⁴⁴ a Chungking English language newspaper published under the auspices of the Foreign Office, commenting on the resolution.

Summary of editorial: China should not place too much reliance on foreign capital in its economic reconstruction program. The United States, Great Britain and Russia are spending enormous sums in the prosecution of the war. Russia is unlikely to be willing to export capital after the war, Great Britain has mortgaged her future and the United States will be faced with a tremendous problem of rehabilitation at home and in Europe as well as in the Far East. Such capital as is available for China will have to be carefully guided into the most useful channels. Most of it will probably be invested in state enterprises rather than in private companies. Foreign capital will undoubtedly seek investment in China and will be welcomed, but the greater emphasis should be laid on the investment of foreign brains and technical knowledge. *End of summary.*

The *National Herald* editorial expresses a point of view more realistic than that of most commentators on China's industrial reconstruction program, who commonly assume that there will be an unlimited flow of capital from the United States. The Minister of Economic Affairs, in a private conversation with an officer of the Embassy some two months ago, expressed the opinion that China would have to

⁴⁴Not reprinted.

provide at least half the cost of reconstruction, but he was not prepared to say how much that would be.

Respectfully yours,

C. E. GAUSS

893.50/356½

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

No. 1718

CHUNGKING, October 22, 1943.

[Received November 16.]

SIR: I have the honor to enclose a copy of despatch No. 8 of September 30, 1943, from the Secretary on detail at Lanchow ⁴⁵ in regard to Chinese hope for American aid in the economic development of northwest China and to certain obstacles to such development.

Mr. Rice's despatch contains an adequate summary.

It is generally felt that the primary consideration of the Central Government authorities motivating their plans for the economic development of the Northwest is a strategic one: the creation of a buffer region against Soviet Russia. The Soviet withdrawal from Sinkiang and the presence of the Chinese Communists in northwest China have brought sharply to the attention of the Chinese authorities the strategic situation of this territory at a time when circumstances have permitted an extension of Chungking's authority into a hitherto autonomous area. It is inevitable that the strategic implications would color Chinese thinking and planning with respect to the Northwest. Other considerations, again timely and somewhat urgent, have been the problems presented by the famine situation in Honan where large numbers of famine refugees were either leaving the province or because of their destitute condition required some form of relief. The settlement in the Northwest of these famine victims, who were without land or means, has provided a method by which the areas might become more Chinese in character and at the same time dove-tailed with the buffer region plan of development.

Mr. Rice seems to have given an accurate description of the obstacles to the economic development of this area with which the Chinese are confronted. After the war the Chinese will likely be required to devote themselves to the much more vital and profitable rehabilitation and development of the coastal and central China areas now occupied by the Japanese and it is difficult to believe that the Central Government will be prepared, financially or psychologically, to undertake any real and lasting development of the Northwest for some time to come.

Respectfully yours,

C. E. GAUSS

⁴⁵ Edward E. Rice; despatch not printed.

893.9111/86

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

No. 1726

CHUNGKING, October 23, 1943.

[Received November 16.]

SIR: I have the honor to enclose a copy of an article by Dr. Sun Fo,⁴⁶ President of the Legislative Yuan, entitled "The Mikado Must Go", which appeared in the October 11, 12 and 13, 1943 issues of the *National Herald*, English language newspaper published at Chungking under the auspices of the Ministry of Foreign Affairs. This article supplements an article by Dr. Sun entitled "For the Total Destruction of the Japanese Pirate Empire" which appeared in the July 8 and 9, 1943 issues of the *National Herald* and which was the subject of the Embassy's despatch no. 1349, July 16, 1943.⁴⁷ In both articles Dr. Sun puts forth concrete suggestions with respect to post-war treatment of Japan.

Summary of enclosure: Among China's allies, especially the United States, there is current a mistaken sentiment in regard to the institutional position of the Japanese Emperor, devolving from an erroneous notion which attributes to him a position of spiritual and moral leadership to which all Japanese pay unquestioned respect and which they regard with blind reverence. There is also a mistaken conception that the Japanese Emperor is all powerful and able to control all Japanese elements, or that he will fulfil the role of a modifying and liberal influence. The Japanese Emperor and the cult of emperor worship should be overthrown when the Japanese are defeated. The victory over Japan must be decisive so as to preclude any resurrection of a militaristic and aggressive Japan and Japan must be beaten and crushed so that she will not dare entertain an aggressive thought for a hundred years. This can be done only by a fundamental revolution whereby the Imperial rule of Japan is ended forever. When Japan is finally occupied and the Emperor deposed and banished, it will devolve upon the United Nations, principally the United States and China, to set up organs of control and advice whereby democratic institutions will be introduced and developed. China need have no fear of a democratic Japan and such a Japan must and will take her rightful place among the law-abiding and peaceful nations. *End of summary.*

At a press conference on October 13, 1943, Dr. K. C. Wu, Vice Minister of Foreign Affairs, was asked whether the views expressed by Dr. Sun in the enclosed article represented the views of the Chinese Government. According to the official Central News Agency, Dr. Wu

⁴⁶ Not reprinted.

⁴⁷ Not printed; Dr. Sun proposed smashing the Japanese military machine, including execution of all officers above brigadier general, imprisonment of all officers from lieutenant, and exile of noncommissioned officers, and the industrial disarmament of Japan, including wiping out all heavy industry (893.9111/71).

replied to the effect that Dr. Sun's opinions undoubtedly coincided with those of a large number of people in China and that a democratic Japan after the war would undoubtedly be a benefit to the world as well as to herself but that the conditions and requirements to be imposed on a defeated Japan could only be made known after consultations among the United Nations engaged in the war against Japan.

In spite of Dr. Wu's tactful refusal to admit that the views expressed by Dr. Sun represented those held by the Chinese Government, it is believed that this is actually the case. . . .

Opinions similar to those expressed by Dr. Sun were given by Dr. Ho Feng-shan, Director of the Information Department, Ministry of Foreign Affairs, in a conversation with an officer of the Embassy on October 20, 1943. Dr. Ho stated that, in his opinion, at least 90 percent of all informed Chinese endorsed Dr. Sun's proposal to depose the Japanese Emperor and that almost complete unanimity on this point existed in the Foreign Office. According to Dr. Ho, Chinese Government officials generally believe that a Japanese Emperor in the post-war world would be a "nuisance" as he would be the prime obstacle to the development of a democratic Japan which China so much desires; that the Emperor would be a constant reminder of the humiliation and defeat inflicted upon Japan by the United Nations and that there was no reason to believe that he might not again be used by the Japanese militarists for the advancement of their ideas. Among informed Chinese, Dr. Ho stated, the Emperor was generally considered to be just as responsible as the militarists for Japan's aggressive actions.

Dr. Ho stated that Great Britain apparently favored retention of the Emperor whereas the Soviet Union, which might have to be consulted in regard to post-war treatment of Japan, is reportedly in favor of having him deposed for the possible reason that a democratic Japan might become interested in Communism. Dr. Ho expressed the hope that the United States would support China in advocating the deposing of the Emperor.

Respectfully yours,

C. E. GAUSS

740.0011 Pacific War/3525

The Chargé in India (Merrell) to the Secretary of State

No. 249

NEW DELHI, October 26, 1943.

[Received November 5.]

SIR: I have the honor to enclose a copy of a most interesting memorandum⁴⁸ prepared by Mr. John Davies, Second Secretary of the

⁴⁸Not printed.

American Embassy in Chungking attached to the staff of Lieutenant General Joseph W. Stilwell, on the subject of "British Intimations for the Future." The memorandum was prepared as a result of a conversation between Mr. Davies, two British propaganda officials, and representatives of the United States Office of War Information in New Delhi and Chungking. Mr. . . . is an important British propaganda official.

The following are the principal contributions made by the British participants:

1. Anglo-American collaboration in the post-war era is not only desirable but essential.
2. The British standard of living is inextricably bound up with imperialism.
3. The British people will be reluctant after the defeat of Germany to fight another war in Asia.
4. Russia will occupy Manchuria, and Korea will become a kingdom.⁴⁹
5. American and British troops will occupy Japan and Russia will have comparatively little to say with regard to a settlement with the Japanese.
6. Japan should not be crushed but should be used as a counter against Russia and China.
7. A future war between the Anglo-American bloc and a Soviet-Chinese-Indian-Japanese coalition will start in India. The fissiparous force in India is religion. Education will remove the religious differences and leave India united.

There is almost complete unanimity among British officials in New Delhi that post-war Anglo-American collaboration is essential but one has a definite feeling that they view British fighting in Asia as having the primary purpose of re-establishing and extending British imperialist interests. Distrust of the Chinese and fear of a strong and united post-war China are characteristic of British officialdom here.

The chief points made in the conversation by Mr. Davies are:

1. In the minds of most Americans a better world is identified with the abolition of imperialism, and there is a very real danger that the United States may again become isolationist after the war as a result of a feeling by the American people that they have been made dupes of British imperialism.

⁴⁹ On this point Mr. Davies' memorandum reads as follows:

"When Manchuria's fate becomes evident, Mr. . . . asked, what line will the United States follow. I asked if he meant by Manchuria's fate that the Russians would occupy that area. He replied in the affirmative. I said that I did not think that we would fight the Russians on that issue.

I asked Mr. . . . what he thought the fate of Korea would be. He replied that he expected Korea to be a kingdom. I asked why it would not be an autonomous Soviet Republic. He explained that an agreement would probably be reached before long by which borders would be established as of the period before the Russo-Japanese war. Thus, he felt, the Soviet Union would get its revenge for its defeat in 1905. I feel that this interpretation is an oversimplification."

2. Our policy is apparently based on the conviction that we need Britain as a first-class power; Britain cannot be a first-class power without its empire; we are accordingly committed to the support of the British empire.

3. If Britain does not want the United States to go isolationist, it must be careful to leave us some freedom to state our own case in Asia.

The Mission considers Mr. Davies' appraisal of the consequences which may be expected to flow from our apparent policy of supporting British aims in Asia to be sound. It matters little whether this is our actual policy or whether by our silence we allow that conclusion to be drawn by Asiatics. The result is the same, namely, a growing conviction among the people of this part of the world that American policy is at one with the British in desiring the restoration and extension of "whitetocracy" in Asia. The long-range consequence of such a conviction will, it would seem, be an alignment of the colored races against the whites as their only hope of freedom and progress.⁵⁰

Respectfully yours,

GEORGE R. MERRELL

840.50/3388

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

No. 1861

CHUNGKING, November 27, 1943.

[Received December 16.]

SIR: I have the honor to enclose a translation⁵¹ which has recently been received by the Embassy of a report of the Postwar World Construction Research Association of the Sun Yat-sen Institute for Education and Culture (also called the Chung Shan Cultural Educational Institute).

⁵⁰ On November 23, the Adviser on Political Relations (Murray) commented: "Mr. . . ., as you will note, goes in for 'realism' in a big way and does not allow his style to be cramped by such things as the Four Freedoms and the Atlantic Charter".

In an attached memorandum dated November 24, the Assistant Secretary of State (Berle) added: "I think Mr. Davies is probably getting into pretty deep water. For one thing, I doubt if the British Empire is going to exist solely because of our 'commitment to recreate' it. It would equally be argued that Great Britain, by defending us against the Germans, had 'chosen' to maintain the United States as a first-class power.

The real problem, as it seems to me, is whether the purely 'imperialist' line is in all respects the best way of securing that international development which makes it possible for Britain to continue to be a first-class power.

She might, as she has before, conceivably find that the commonwealth idea proved a stronger policy than the 'empire' idea."

A penciled notation by the Assistant Chief of the Division of Far Eastern Affairs (Vincent) states: "I think Davies has something here which should be circulated. Perhaps he is too pessimistic, but it may well be that future historians will say 'You were warned and did nothing about it.' On the other hand, who *will* do anything about it. That is the tragedy."

⁵¹ Not printed.

Summary of Report. The function of the Postwar World Construction Research Association, which is under the direction of Dr. Sun Fo, is to undertake research in postwar problems and submit a draft plan for postwar world reconstruction. The members of the Association include four American-educated members of the Legislative Yuan, an American-trained Counsellor of the National Military Council, and a former Chinese Minister to Cuba, also educated in the United States. The work of the Association is divided into two parts: (1) the collection and translation into Chinese of foreign documents and publications on postwar problems with the purpose of presenting to China the attitude of other countries on the solution of those problems; and (2) the conducting of independent research work and the presentation of reports on the various phases of postwar world cooperation and reconstruction. A list of the works which are to be translated and published in Chinese is included in the report.

Respectfully yours,

C. E. GAUSS

CONSIDERATION OF PROPOSED ENTRY OF CHINESE
TROOPS INTO INDOCHINA TO COMBAT JAPANESE
FORCES IN THAT COLONY¹

740.0011 Pacific War/3531

*The Washington Delegation of the French Committee of National
Liberation to the Department of State*²

[Translation]

WASHINGTON, October 20, 1943.

MEMORANDUM

According to certain information which has come to the knowledge of the Committee of National Liberation, Allied plans of operation in the Far East would, in the near future, include the start of operations against the frontiers of Indo-China, operations entrusted to Chinese troops.

The Washington Delegation of the Committee has already had occasion to call the Department of State's attention to the absolute importance to the Allied cause of associating the competent French authorities with the detailing of Allied war plans in the Far East, especially when their execution involves French Indo-China. The aforementioned authorities possess, in this field, documentation and experience which can be of the greatest use to the Allied High Command. The role which France has traditionally played in the Far East, the important interests which she has there, the dispositions already taken by the Algiers Committee to participate when the time comes in the struggle for the liberation of Indo-China, are all, as many more, reasons for an effective French participation in Inter-Allied Councils where the general strategy of the United Nations in the Far East is determined.

As concerns the project of a Chinese offensive against Indo-China, the Algiers Committee—if the information which has reached it on this subject is correct—must very seriously draw the attention of the American Government to the great danger which its realization would present.

¹ Continued from *Foreign Relations*, 1942, China, pp. 749-760.

² Handed on October 21 to the Assistant Secretary of State (Berle) by Henri Hoppenot, Delegate of the French Committee of National Liberation.

A Chinese attack against Tonkin would have the immediate effect of causing the whole Indo-Chinese population to rise against the Allies.

For the Annamites, the Chinese, who have so frequently in the past invaded and ravaged their frontier regions, represent the hereditary enemy. Far from greeting them as liberators, the local population would impede their advance by every means in their power. Moreover, the population and the French troops, who would take the side of the Allies if it were French, American and British forces which were coming to their help, might very well react against an attack by the Chinese, whose true intentions could easily be confused by enemy propaganda. The position which a Chinese attack apparently will cause civilian and military French Indo-Chinese to take will in the future be difficult to modify and the consequences of such a mistake run the risk of weighing heavily upon the development of the campaign.

The French Committee of National Liberation believes, therefore, that it is of the highest importance to set aside a project which, far from serving Allied interests, runs the risk of causing the greatest harm. The Committee, likewise, equally believes that, as concerns military operations whose theatre would be French territory, it is imperative to ask the Allies that no decision should be taken without our previous agreement.

740.0011 Pacific War/3531

*Memorandum of Conversation, by the Assistant Secretary of State
(Berle)*

[WASHINGTON,] October 21, 1943.

M. Hoppenot came in to see me at his request. He handed me the attached memorandum,³ which states that the French National Committee understands that Chinese operations will presently open against the Japanese within the frontiers of Indochina. This gave great concern to the Committee of National Liberation. If Chinese troops attacked there, plainly there would not be any support from the French, since the Chinese had always claimed interest there, and it was not unlikely that the French troops would defend against a Chinese attack.

I asked whether this matter had already been brought to the attention of the Chiefs of Staff. M. Hoppenot said it had, through General

³ *Supra.*

Bethouart. I thanked him for the information and said that the matter presented was primarily for military consideration.

A[DOLF] A. B[ERLE], JR.

NOTE: But it is not only for military consideration. This brings us squarely up to the problem of whether, in the Far East, we are re-establishing the western colonial empires or whether we are letting the East liberate itself if it can do so. I feel that the matter should be discussed on a high level with the President for his decision. I do not know that we need to settle matters with the French Committee in Algiers. If the Chinese can do anything against the Japanese in French Indochina to the general advantage of the war, I have difficulty in seeing why we should stop them.

A[DOLF] A. B[ERLE], JR.

740.0011 Pacific War/3531

Memorandum by the Assistant Secretary of State (Berle) to the Under Secretary of State (Stettinius)

[WASHINGTON,] October 22, 1943.

MR. STETTINIUS: In connection with the application of the French Committee of National Liberation for membership on the Pacific War Council, it is of interest that the representative of the Committee yesterday presented us with a request that we do not permit the Chinese to take part in operations against the Japanese troops which are presently occupying Indo-China. The Committee observed that if British and American troops accomplished the reconquest this would be quite all right; but the French, and particularly those in Indo-China, considered the Chinese as their hereditary enemies (*erbfeinde*); if they took part in the liberation of Indo-China, probably they would claim new territory.

The French would push this view in the Pacific War Council. This would probably be supported by the British and the Dutch. This would present us, for all practical purposes, with the task of reconquering Indo-China almost single-handed (since the British interest stops with Burma) for the sole purpose of returning Indo-China to France. France is unlikely to be able to maintain herself in control of, or protect, that province for a good while; so that we should have the added job of policing and protecting it against the Chinese as well as the Japanese in the interest of the French Colonial Empire.

It strikes me that this fact should be called to the attention of the President and also of the Joint Chiefs of Staff.⁴ I think we should

⁴ On October 29 Mr. Stettinius replied to Mr. Berle: "I agree with you that the matter of French representation on the Pacific War Council and also their

answer the French Committee that their representation will receive consideration, but that military factors must predominate in the decision.

Frankly, I doubt if we could defend before the Congress a very considerable expenditure of American lives for the sole purpose of keeping Indo-China in French, as against Chinese or Indo-Chinese, hands. . . .

A[DOLF] A. B[ERLE], JR.

740.0011 Pacific War/3531

*Memorandum by the Assistant Chief of the Division of Far Eastern Affairs (Vincent) to the Assistant Secretary of State (Berle)*⁵

[WASHINGTON,] November 2, 1943.

MR. BERLE: We have read with keen interest your memorandum of conversation with Mr. Hoppenot and his *aide-mémoire*, and concur in the opinion expressed in your note.

There is at the bottom of page 1 of the *aide-mémoire* the following statement which we feel should not pass without comment: "Pour l'Annamite, les Chinois, qui ont si fréquemment dans le passé envahi et ravagé leurs régions frontières, représentent l'ennemi héréditaire." This statement is grossly misleading, if not actually false. In 1879 the Annamites sought military aid from China to drive out the French. It was China's weakness, not Annamite dislike or fear of China, that permitted the French to remain. Recurrent waves of Annamite nationalism have looked to Chinese nationalism for inspiration and guidance, particularly since 1920. Today there is understood to be in southern China a group of Annamites which advocates independence for Indochina and seeks Chinese support. It is our belief that the Annamites, by and large, have for the Chinese a feeling of friendliness and cultural affinity.

The Chinese Government's attitude regarding the post-war status of Indochina has been cautious. Officials of the Government have disclaimed territorial ambitions but they have at times intimated that China would desire an arrangement which assured access to the sea from Yunnan Province through Tonkin to Haiphong. Independence for Indochina is included in the Chinese Government's general advocacy of self-government for eastern peoples.

request that the Chinese be asked not to conduct military operations within Indo-China should be referred both to the President and to the Joint Chiefs of Staff."

⁵ Initialed by the Chief of the Division of Far Eastern Affairs (Ballantine).

The post-war status of French Indochina is a matter of speculation: return to France; international control; and even British control. It is our belief that the Annamites are fundamentally capable of self-government and that it should be the objective of any post-war administration to train Annamites to resume the responsibilities of self-government. This objective might be achieved by a continuation of French administration for a definitely limited period or by international administration. There would seem to be no reasonable basis for British administration. In any event, the Chinese Government should be consulted and its views given full consideration in regard to plans for the future of Indochina.

740.0011 Pacific War/3531

Memorandum by the Acting Secretary of State to President Roosevelt

WASHINGTON, November 8, 1943.

M. Henri Hoppenot, the Delegate of the French Committee of National Liberation, has left with the State Department a communication, a copy of which in translation is attached hereto,⁷ giving the reasons why, in the opinion of the Committee, it would be a mistake to entrust to Chinese troops the launching of military operations against Indo-China. The main reason advanced is that the Chinese are the hereditary enemies of the Annamites and that an attack by the Chinese would therefore be resisted by the local population as well as by French troops. It is our belief that this presentation of the case involves allegations not in accord with the facts, and that the Annamites, by and large, have for the Chinese a feeling of friendliness and cultural affinity.

The problem to which these representations relates seems primarily to be a military problem for the Joint Chiefs of Staff. We understand that it has already been brought to the attention of that body by General Bethouart, Chief of the French Military Mission.

EDWARD R. STETTINIUS, JR.

740.0011 Pacific War/3567

Memorandum by President Roosevelt to the Acting Secretary of State

WASHINGTON, November 9, 1943.

In regard to the use of Chinese troops against Annam, I agree with the State Department that the French presentation of the case is not sufficiently valid to take any action.

⁷ *Ante*, p. 882.

The whole matter should be left to the discretion of the Joint Chiefs of Staff and to the Commanding Officers in the area. This is essentially a military problem.

F[RANKLIN] D. R[OOSEVELT]

740.0011 Pacific War/3630

*The Delegate of the French Committee of National Liberation
(Hoppenot) to the Assistant Secretary of State (Berle)*

[Translation]

No. 759

WASHINGTON, December 13, 1943.

DEAR MR. BERLE: I have already had occasion to speak to you of the interest which the French Committee of National Liberation would attach to being associated in the inter-Allied deliberations concerning the conduct of the war in the Far East, particularly when it is a matter of operations which may involve Indochina. I refer particularly to the *aide-mémoire* which I transmitted to you on this subject October 21, and which contemplated on the one hand the entrance of a representative of the Committee into the Pacific Council, and on the other hand the apprehensions caused at Algiers by a proposed Chinese offensive against the frontier of Indochina.

M. Massigli has just requested me to recall this question again to your high attention.

The cooperation of the French staff with the Allied staffs in the Far East has as a matter of fact entered into a new phase following the sending to Delhi, with the accord of the British War Office, of a French military mission commanded by General Blaizot. This new fact seems to make it more desirable that a parallel collaboration should be established at Washington, by the association of a French representative in the deliberations of the Pacific Council of which delegates of all the Powers participating in the war effort against Japan are members.

We have learned, moreover, that the proposed Chinese operations on the frontier of Indochina have not been abandoned and that irregular Chinese troops, staffed by American officers, are said to be trained at the present time for this purpose near the said frontier. The Chinese elements in question are precisely the ones whose incursions and pillaging have frequently created, in the course of recent decades, a state of insecurity and trouble in that region, and their reappearance on Indochinese territory, even with the corrective of a staff of American officers, would aggravate further the repercussions of any Chinese action on those frontiers. Knowing personally the mentality both of the French of Indochina and of the native populations of the Union,

I am convinced that nothing could more seriously hinder their cooperation with the Allies than for the liberation of Indochina to appear to be entrusted, even provisionally, to Chinese formations which, in the present case, would appear to them not only as the advance guard of the hereditary enemy of Annam and Tonkin, but as the direct descendants of the bands of pirates and Jolly Rogers who have so long caused the threat of their exactions to weigh upon those regions. Just as American or English troops would be welcomed as allies and liberators, so we run the risk of seeing French and natives react strongly against the use of these Chinese elements. I do not believe that a more serious political and psychological fault could be committed and I take the liberty to beg you to call this point again to the very serious attention of the competent authorities.⁸

Please accept [etc.]

HENRI HOPPENOT

⁸ On January 5, 1944, Mr. Berle wrote M. Hoppenot that the contents of his letter had been transmitted to appropriate authorities of the Government.

TAKING OVER BY CHINESE GOVERNMENT OF YUNNAN
SECTION OF FRENCH INDOCHINA-YUNNAN RAILWAY;
EXPRESSION OF INTEREST BY THE UNITED STATES
ON BEHALF OF THE FRENCH

893.77/3360 : Telegram

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

WASHINGTON, September 2, 1943—8 p. m.

1230. General Bethouart, of the French Committee of National Liberation, called at the Department and requested that the Department, through its Embassy at Chungking, exert its influence in support of the effort being made by the representative of the French Committee at Chungking to obtain from the Chinese Government clarification of that Government's intentions with respect to the Yunnan section of the French Indochina-Yunnan Railway over which Chinese authorities have recently assumed control. The Committee is desirous of obtaining from the Chinese some indication or admission that Chinese assumption of control over the Railway is a temporary emergency measure related to prosecution of the war, that French interests in the Railway will be respected and protected, and that the post-war status of the Railway will be subject of discussion between the Chinese Government and the Government of France to be established.

The Department suggests that you consult with the head of the French Committee in Chungking to ascertain the character of the Chinese Government's response to any approach he may have made; and that, if the response of the Chinese Government was not of a nature so flatly negative as to preclude any apparent usefulness in pursuing the matter, you choose a suitable opportunity, preferably incidental to the discussion of other matters, to inquire of the Foreign Office in regard to the French Indochina-Yunnan Railway. You should limit yourself to an expression of interest and not make any direct request for clarification in support of the French approach. It is hoped that your expression of interest may in some measure result in exerting the influence which the French desire in support of their approach.

HULL

751.93/97 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*CHUNGKING, September 22, 1943—10 a. m.
[Received 10:29 p. m.]

1777. Sino-French relations. 1. Opportunity arose September 21 in conversation with the Acting Foreign Minister¹ for me to carry out the Department's instructions contained in Department's 1230, September 2. Dr. Wu gave a lengthy exposition along the lines of our 1613, September 1,² except that he indicated that the Chinese Government definitely desires that Coiffard³ be replaced. He said that the Chinese Government had a whole-hearted desire to maintain the most friendly relations and to collaborate with the French National Committee and that confidentially the Chinese Government was selecting a French and English speaking Chinese of prestige to be stationed in Algiers. He said that in taking over administration of the railway the Chinese Government had been motivated upon the breaking of relations with Vichy by considerations relating to Indochina, the attitude to which in AOF [apparent garble] whose governor (Decoux) was in doubt; that the Chinese action was of course a temporary war time measure; and that no question had been raised as to ownership of the railway. He said that the seizure of the hospital was a bad mistake and that the Central Government had issued strict orders for its return to the French and also for full protection of French nationals and rights. He said that the Chinese authorities liked Peckhoff, head of military delegation, and Laurin, deputy chief of the civil delegation, and the Foreign Office was continuing to discuss matters with them.

Our conversation was on a quite personal and private basis and accordingly in response to an indirect inquiry whether the Department had taken cognizance of the situation, I said that we had received some inquiry from Washington, and that as indicated in statements in connection with the limited recognition of the French Committee our Government was of course interested in the same friend in that it had an interest in all of its Allies and friends and was especially interested in the maintaining and increasing of unity and friendship among the United Nations and the Allies for the prosecution of the war which was the principal task of all. Dr. Wu repeated his assurances several times and I told him that when the Chinese representative to Algiers was appointed we would be glad to inform our people there in regard to him in the hope of facilitating the establishment of

¹ K. C. Wu, Chinese Vice Minister for Foreign Affairs.

² Not printed.

³ Jacques Coiffard, Chief of (Free) French Civil Delegation at Chungking.

the cordial and hopeful relations which customarily exists between the representatives of our two countries.

The British Ambassador⁴ informs me that under instruction he recently made inquiries in regard to Sino-French relations but that Dr. Wu had not made to him any clear statement that the Chinese action in regard to the railway was a temporary war time measure and he felt that the situation [apparent omission].⁵

[ATCHESON]

893.77/3362 : Telegram

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

CHUNGKING, October 5, 1943—1 p. m.

[Received October 6—12: 13 p. m.]

1865. Embassy's 1802, September 25⁵ and 1777, September 22. According to the newly appointed Chinese director of the Yunnan railway, all the former French officials and employees (numbering 35) have been removed but American employees, many of whom are locomotive engineers, et cetera, are being retained. He states that some of the French wish to proceed to North Africa and some to Indochina but that while Chinese Government is agreeable to their going to Africa it will not permit any to go to the latter place. As regards the future he states that he "supposes" the Chinese "will have to pay something" to the French for the railway "sometime".

He states that actual control of the Kunming Consular Hospital had not been returned to the French up to September 24, when he himself left Kunming.

GAUSS

893.77/3363 : Telegram

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

WASHINGTON, October 11, 1943—6 p. m.

1461. Reference Chinese operation of French Indochina-Yunnan railway (Department's 1230 and Embassy's 1777 and 1865). French Committee here has again informally approached Department. It appears that French employees of the railway have been given notice

⁴ Sir Horace James Seymour.

⁵ In telegram No. 1802, September 25, 1 p. m., the Ambassador in China reported that the British Ambassador had explained "that he had not received from Dr. Wu any clear statement as to the future". (751.93/98)

by the Chinese to vacate railway residences by October 31. In your discretion, you may mention this situation casually to the Foreign Office and express an interest in equitable treatment being accorded the French.

HULL

751.93/104 : Telegram

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

[Extract]

CHUNGKING, October 19, 1943—3 p. m.

[Received October 19—12:13 p. m.]

1980. (1). Reference Department's 1461, October 11. The Counselor of the Embassy⁶ called on Vice Foreign Minister Hoo on October 18 on another matter and during conversation inquired as to Sino-French relations, mentioned report in question and expressed interest as requested. Hoo stated that time for evacuations of premises is being extended one month to enable French employees to make arrangements for travel to North Africa.

GAUSS

⁶ George Atcheson, Jr.

EXCHANGE OF VIEWS BETWEEN THE UNITED STATES AND CHINA REGARDING THE FUTURE STATUS OF KOREA AND THE QUESTION OF RECOGNIZING A PRO- VISIONAL KOREAN GOVERNMENT

[For a note regarding correspondence on this subject in 1942, see *Foreign Relations*, 1942, China, page 762. In April and May, 1943 the question of recognizing a Korean Provisional Government was discussed by the Chinese Ambassador at the Department of State. He was informed that the Department envisaged an independent Korea after the war but that the matter of recognition had better rest in abeyance for the time being. The Ambassador said the Chinese view also favored letting the matter rest. In a despatch from Chungking on August 20, the Chargé reported a conversation with General Wang Peng-sheng, adviser to Generalissimo Chiang Kai-shek, in which the latter stated that the question of recognizing a Korean Provisional Government was merely one aspect of a much greater problem affecting the future not only of Korea but also areas in southeastern Asia occupied by the Japanese. He urged the calling of a conference of the interested United Nations to formulate policy in this regard.

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 1943. Discussions regarding Korea at the First Cairo Conference are scheduled for publication in a subsequent volume of *Foreign Relations*.]

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