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of the  
United States  
Diplomatic Papers  
1938

(In Five Volumes)

Volume IV  
The Far East



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## UNDECLARED WAR BETWEEN JAPAN AND CHINA

(Continued from Volume III)

### JAPANESE INTERFERENCE WITH AMERICAN TREATY RIGHTS AND WITH EQUALITY OF COMMERCIAL OPPORTUNITY IN CHINA<sup>1</sup>

893.102S/1603 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, February 5, 1938—noon.

[Received February 5—9:40 a. m.]

212. Following is repeated as Tokyo's No. 76, February 4, 3 p. m.

"76, February 4, 3 p. m.

1. The Foreign Minister<sup>2</sup> at a budget committee meeting yesterday stated in reply to an interpellation regarding the plans of the Government in respect of the International Settlement in Shanghai that several plans were being pushed forward for the improvement of the position of the Japanese residents in the International Settlement. He added, however, that inasmuch as there were various regulations within the Settlement area it was the intention of the Government to establish a 'Sino-Japanese Organ' outside the Settlement area, and in particular, to make the Yangtze area the center of expansion of Japanese interests.

2. If the statement seems to you to have special significance, please repeat to the Department and to Hankow as our 76, February 4, 3 p. m., and add such comment as you may care to make. Please inform me of action taken. Grew".

GAUSS

893.102S/1603½ : Telegram

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

HANKOW, February 6, 1938—noon.

[Received March 24.<sup>3</sup>]

88. Tokyo's 76, February 4, 3 p. m.<sup>4</sup> confirms a belief which I have long entertained that an essential part of plans of Japanese military is to set up at Shanghai independent of the International Settlement a Japanese régime which would control trade and industry in the

<sup>1</sup> See also *Foreign Relations, Japan, 1931-1941*, vol. I, pp. 757 ff.

<sup>2</sup> Koki Hirota.

<sup>3</sup> Notation on file copy: "Copied from confirmation March 24, 1938. Original not received by wire."

<sup>4</sup> See telegram No. 212, February 5, noon, from the Consul General at Shanghai, *supra*.

interest of Japan. With docking facilities nearer deep water than at present offered in the Whangpoo off the International Settlement, Japanese controlled area between International Settlement and Woosung would soon kill International Settlement. Business within International Settlement would no longer be able to afford present expensive administrative machinery and that machinery could fall into less expensive Japanese control. These Japanese plans if carried out would give control over entire trade of Yangtze Valley which would have to pass through their hands.

Repeated to Shanghai. Shanghai please repeat to Tokyo.

JOHNSON

893.515/1298

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

No. 1558

PEIPING, February 17, 1938.

[Received March 22.]

SIR: I have the honor to enclose for the information of the Department a copy of despatch No. 262 of February 7, 1938, from the Consulate at Tsingtao,<sup>5</sup> in regard to the banking situation in that port.

Two main points of interest are discovered in that despatch: (1) there exists the report that the Japanese efforts to cause the release of Chinese bank notes into the market at Tsingtao is based on the desire to effect an exchange of those dollar notes for Japanese yen notes (at par?) with the purpose of subsequently purchasing foreign exchange in Shanghai with the Chinese notes; and (2) the head offices of the Bank of China and the Bank of Communications are evidently offering opposition to arrangements arrived at by the local branches of those banks.

It may be noted in this connection that the situation in the Peiping-Tientsin area differs slightly in this particular but is essentially the same in the general aspect. As has already been reported, the Peking Provisional Government has authorized the issue of an unknown amount of bank notes and subsidiary coins by its new banking organ, the Peking-Tientsin Joint Reserve Bank. Participating in that Reserve Bank are stated to be the local branches of the Bank of China and the Bank of Communications—two of the National Government's three authorized banks of issue (omitting Chiang Kai-shek's<sup>6</sup> Farmer's Bank of China). The authorities of those two banks have to date made no public denial of the reports of their participation, but it may perhaps not be without significance in this connection that the Tientsin managers of the two banks have recently been called

<sup>5</sup> Not printed.

<sup>6</sup> Chairman of the Supreme National Defense Council of China and leader of the Kuomintang (Nationalist Party).

to Hongkong for consultation with the head officers of those institutions. It is taken for granted that the Japanese, working through the Joint Reserve Bank, purpose the withdrawal of the note-issues now current in North China as the new note-issue goes into circulation, presumably by exchange at par. The old local note-issues would have to be retired, presumably, by destruction of the bank notes as they were replaced, but the notes of the Bank of China and the Bank of Communications could well be used, after having been obtained by exchange for paper of questionable value, in purchasing foreign exchange from the National Government's own banks. One newspaper puts the Peiping-Tientsin note-issues of the Bank of China and the Bank of Communications at Y\$115,161,000 and Y\$55,840,000 respectively, with the Central Bank of China having a circulation of Y\$32,343,000, and four other banks bringing the total note-issue of Shanghai banks in the Peiping-Tientsin area up to Y\$207,264,000.\* It is not certain that the figures given are reliable, and it is to be noted in addition that several of the banks concerned have important stocks of un-issued bank notes, the ultimate disposal of which is a matter of doubt, in their vaults; it is clear in any event, nevertheless, that the current moves directed toward the reorganization of the currency in North China carry an overt threat against the stability of the National Government's financial system which must be added to the blows already given that structure in the shape of military action.

Respectfully yours,

For the Ambassador:  
FRANK P. LOCKHART  
*Counselor of Embassy*

893.515/1292: Telegram

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

HANKOW, March 13, 1938—2 p. m.  
[Received March 13—8: 50 a. m.]

158. My 157, March 13, 11 a. m.<sup>7</sup> Following has been received by Ministry of Finance to Reuters:

"March 12, 1938. With the outbreak of hostilities in Shanghai in August last year, a gentlemen's agreement was made among the bankers at the instance of the Government, with the object that foreign exchange should be furnished only for legitimate purposes. The operation of the agreement has made it possible for trade to be carried on despite all difficulties and for confidence in the currency to be steadily maintained.

The recent organization by the Japanese militarists, through their puppet régime in Peiping, of the so-called Federated Reserve Bank,

\* The *Peking Chronicle*, February 9, 1938. [Footnote in the original.]

<sup>7</sup> Not printed.



issuing banknotes not convertible into free foreign exchange, is a nefarious effort to undermine the national currency and to obtain the foreign exchange funds of the country.

In conforming with the spirit of the gentlemen's agreement, and to enable the country to meet the new situation created in North China, the Government has decided to [on?] the following revised procedure:

1. As from March 14th, 1938, sales of foreign exchange shall be centralized through the Central Bank of China at the seat of the Government. For convenience the Central Bank of China may establish a forwarding office in Hong Kong.

2. Banks desiring to purchase foreign exchange for legitimate requirements shall apply to the head office of the Central Bank of China or through its forwarding office at Hong Kong in accordance with the procedure separately announced.

3. After consideration of the application, the Central Bank of China shall furnish foreign exchange at the existing level of rates.

#### Procedure for obtaining foreign exchange.

1. Banks desiring to cover any legitimate demand for foreign exchange for their customers in excess of the amounts obtained from purchase of bills of exchange, inwards remittances, and other ordinary market operations, et cetera, may apply to the head office of the Central Bank of China or through its forwarding office in Hong Kong.

2. Such banks shall lodge their applications with the head office of the Central Bank of China or its forwarding office in Hong Kong in the form prescribed by the Ministry of Finance.

3. Applications shall be made before 10 o'clock every Thursday morning. After consideration of the applications a reply shall be communicated to each application by 10 o'clock on the following morning. On holidays applications will be made and/or replies communicated on the next business day.

4. Foreign currencies provided in response to applications will be delivered on the day on which the reply is communicated.

5. Banks to which foreign exchange has been provided by the Central Bank of China may be requested by the latter to furnish a statement of the disposition of such exchange.

6. This procedure shall come into effect upon announcement by the Ministry of Finance."

JOHNSON

893.515/1294 : Telegram

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

HANKOW, March 14, 1938—9 a. m.

[Received March 14—7:30 a. m.]

159. Following from Buck<sup>8</sup> for Secretary of the Treasury.

"With reference to the new currency regulations, following interpretation is based on conversation with Young<sup>9</sup> of Central Bank.

<sup>8</sup> Prof. John Lossing Buck, of Nanking University, special representative in China of the Treasury Department.

<sup>9</sup> Possibly Yu-mei Young (Yang), Chinese Director General of Budgets.

Government mandate regarding foreign exchange results from North China situation. Prospective issuance of notes by so-called Federated Reserve Bank generally impaired confidence because it was feared forcing notes into circulation would drive out national currency which might be collected by the Japanese and presented to obtain foreign exchange. Since over \$300,000,000 notes circulate in North China, potential loss of reserve equivalent to United States no [*sic*] dollars. Moreover acquisition of substantial reserves by North China régime would not promote Japanese program by furnishing backing for their new notes.

Fear of this situation created acute worry in Shanghai and other centers resulting in the last month in very heavy demand for foreign currencies notwithstanding gentlemen's agreement whereby foreign banks undertook to purchase exchange only for legitimate demand. Nothing in balance of payments warrants the heavy demand which resulted chiefly from fear of effects of North China defense.

Government's action was adopted after most careful consideration as most practical means to meet such a situation. It was felt that ordinary type of exchange control would be impractical. Measures are designed to cause least possible interference with previous system and it will be noted [they?] expressly state that exchange will be sold at existing levels since it is desired to continue maintenance of currency stability despite all difficulties. It is believed that the Administration will be centered in the forwarding office at Hong Kong. [Buck.]”

JOHNSON

893.515/1299

*Memorandum Prepared in the Department of State*

[WASHINGTON,] March 18, 1938.

The Commandant of the American Marines in Peiping has asked the Navy Department for instructions in regard to his acceptance of notes of the new Federated Reserve Bank established by the "Provisional Government" in Peiping. Pending instructions to the contrary, he proposes to negotiate his next bill of exchange on March 22 in notes of the Chinese national banks. Mr. Vining of the Supplies and Accounts Division of the Navy Department has asked Mr. Livesey<sup>10</sup> of this Department informally for an opinion in the matter.

It is suggested that Mr. Vining be informed that:<sup>11</sup>

(1) There would seem to be no warrant for interposing objection, on political grounds, to acceptance by the Commandant of the American Marines in Peiping of the new Federated Bank notes; the question of acceptance of the new notes, therefore, appears to be one of judgment by the Commandant as to the comparative value of the new notes for his purposes;

(2) Recent information received by the Department indicates that neither Chinese nor foreign banks in Tientsin and Peiping are selling

<sup>10</sup> Frederick Livesey, Assistant Adviser on International Economic Affairs.

<sup>11</sup> Mr. Vining was so informed on the same day.

foreign exchange because of confusion with regard to the exchange value of the new currency, that according to the local press Tientsin and Peiping cotton dealers are refusing to accept the new notes, but that Chinese stores and exchange shops are accepting the new notes at par with the Chinese yen;

(3) As long as there exist doubts as to the internal or external value of the new currency it will probably be possible to negotiate for Chinese national bank notes, as the Commandant proposes to do on March 22.

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893.5151/428: Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, March 26, 1938—noon.

[Received March 26—9:35 a. m.]

207. 1. The British Ambassador<sup>12</sup> called this morning accompanied by Hall-Patch<sup>13</sup> and stated that his Government was much concerned over the fact that in order to support the new currency recently established in North China some stringent form of exchange control or exchange rationing will have to be introduced. Craigie stated that he had been instructed, after consultation with his American and French colleagues and obtaining their views, to report his personal views to his Foreign Office.

2. Craigie's personal views which he set forth to me and which he is telegraphing to his Foreign Office are as follows:

"Point 1. While I would deprecate joint action I feel that in view of the importance of this issue some form of approach to the Japanese Government is very desirable. While it is true that such action may not produce any, it is even more improbable that action by ourselves alone would be effective.

Point 2. There can be little doubt that, in order to support the new currency, some stringent form of exchange control or exchange rationing will have to be introduced. If it is to be exchange control *à la Japonaise*, it will in practice form a yen bloc and consequently make it almost impossible for foreign traders and bankers to secure foreign exchange and consequently to continue trading. This in turn means that equality of opportunity would disappear in North China.

Point 3. The Japanese Government have consistently declared their desire of maintaining the Open Door and their desire to respect foreign interests in China and to secure their cooperation in the rehabilitation and future development of the country. It is obvious that if the measures which are now being taken in North China in respect to the currency and the possible establishment of exchange control leads to discrimination against their interests, all hope of such cooperation in the future must disappear."

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<sup>12</sup> Sir Robert L. Craigie.

<sup>13</sup> Financial Adviser of the British Embassy in China.

3. Craigie believes that if a system of exchange control is set up it may work out almost entirely to the advantage of the Japanese and that in order to forestall such a situation some form of concerted representations should be made to obtain assurances of equal opportunity for all. In the event that such assurances are not obtainable, Craigie believes that our respective Governments should as a second step insist upon some system of rationing of exchange which would be fair to all concerned and that in connection with a rationing system some form of international supervision should be set up such as a committee of bank representatives to be nominated by the Foreign Bankers' Association of Tientsin.

4. I concur in Craigie's views and I believe that some form of action other than joint action should be taken as soon as possible to prevent a situation arising under an exchange control system which would undoubtedly favor Japanese trade and close the door to equality of opportunity which the Japanese assurances to date have asserted would be maintained.

5. The matter seems to be urgent. Please instruct. If representations are made I think they should be accompanied by an *aide-mémoire*.

Repeated to Shanghai for Peiping and Hankow.

GREW

898.5151/434 : Telegram

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

HANKOW, March 30, 1938—11 a. m.

[Received 1:20 p. m.]

179. Tokyo's 207, March 26, noon. Craigie's statement regarding seriousness of threat to foreign business in parts of China occupied by the Japanese through activities of so-called Joint Reserve Bank is confirmed by messages which Embassy has sent from Peiping and which Consulate has sent from Tientsin over the past 3 months that the Joint Reserve Bank using silver stocks remaining in North China (Peiping's 47, January 21, 6 p. m.<sup>14</sup>) and presumably backed by a considerable yen credit (see Peiping's 161, March 10, 5 p. m.; Tientsin's 60, March 12, 2 p. m.; and Peiping's 169, March 15, 1 p. m.<sup>15</sup>) would appear to be issuing a new currency linked with the yen which will be declared legal tender in areas occupied by the Japanese. To prevent a flight from the yen through this new currency, Japanese Government will in my opinion be compelled to compose a very tight exchange order system throughout areas of its occupation, and it may

<sup>14</sup> Not printed.

<sup>15</sup> None printed.

confidently be expected that this system of license will be manipulated strictly in the interest of Japanese business (see Peiping's 176, March 18, noon <sup>16</sup>) and the Japanese yen.

Such conversation as I have had with business men and others, and an examination of messages outlining efforts of British Government to work out an amelioration of the situation, as for instance the preservation of the Customs and Salt Administrations,<sup>17</sup> and the preservation of the exchange position vis-à-vis foreign banks and foreign trade, seems to me to indicate a failure to appreciate the fact that, whatever the outcome, conditions in China promise to be profoundly different from those which existed prior to July 7, 1937. If Japan succeeds, Japan will interpret its declared intention of maintaining the Open Door and its desire to respect it as not including steps necessary to enable foreign business and foreign interests to continue to function in China as they have done in the past. The Japanese Government will, I foresee, welcome foreign cooperation in the rehabilitation and future development of this country, but that cooperation will be limited to the supply of funds, as Japan will be able to supply ample personnel at a low cost, and will endeavor to supply material at an equally low cost to meet the requirements. The door will be open to the investment of foreign funds in Japanese enterprises.

And the respect extended to foreign interests will be the respect which is given to exhibits in a museum retained because of their historic value.

It may be that through our control over silver prices we may be able to compel Japanese to set aside a share of exchange for American banks. A problem of prime importance is going to arise when Chinese Government will be asked to furnish gold exchange for American share of their funds collected in areas occupied by the Japanese in the inconvertible paper of the so-called Joint Reserve Bank.

Repeated to Peiping and Shanghai. Shanghai please repeat to Tokyo.

JOHNSON

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893.5151/428 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, March 31, 1938—7 p. m.

113. Your 207, March 26, noon.

1. The Department fully shares your view and that of Craigie that the establishment of a rigid exchange control in north China is im-

<sup>16</sup> Not printed.

<sup>17</sup> See vol. III, pp. 626 ff.

minent and that such control will probably be so administered as to favor Japanese trade and close the door to equality of opportunity.

The Department is continuing to study this whole matter. Meanwhile, the Department offers comment on the suggestions made in numbered paragraph 3 of the telegram under reference as follows:

The Department feels that some form of parallel representations should be made to the Japanese Foreign Office by way, first, of keeping the record and, second, toward safeguarding, if possible, rights and interests. However, there is warrant for doubt whether any assurances that might be given in reply, affirming the principle of equality of treatment, would be made in practice effective. Moreover, we doubt whether an international supervision of exchange control would have substantially beneficial effects unless there were at the same time an international supervision, directed toward assuring equality of opportunity, over movement of trade and economic activity in general. An attempt to achieve assent to these two types of supervision would probably be rejected. If set up, such supervision would probably produce friction and prove futile.

It would seem, therefore, that with regard to this matter, little or nothing would be gained by suggesting and contending for an international supervision. Must we not, in the circumstances which now prevail, choose among courses as follows: (a) concentrate on effort to persuade the Japanese not to proceed, in the development of their economic program with regard to China, with this and other items the effect of which would be discriminatory; or (b) when and as, in consequence of their proceeding with that program, our rights and interests are impaired, continue, as hitherto, to make and to rest upon appropriate protests and reservations; or (c) add to the making of representations an application of some form or forms of positive or negative pressure; or (d) restrict the making of representations to those cases only in which it is absolutely imperative that some action be taken.

2. Department would appreciate being informed of the British Foreign Office reply to Craigie's telegram under reference. Please discuss with Craigie the Department's comments made above. Please inform Department of any conclusions at which you and Craigie may arrive as to possible "form of action" in line with the thought expressed in your paragraph 4.

HULL

893.5151/441 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, April 2, 1938—8 p. m.  
 [Received April 2—10:30 a. m.]

220. Department's 113, March 31, 7 p. m., currency control in North China.

1. In a further discussion last night with my British colleague it developed that the form of action which he proposes is an oral approach to the Minister for Foreign Affairs supported by a memorandum or *aide-mémoire* on the part of the American, British, and French Ambassadors in which would be set forth the discriminatory effect of the present plans of the Japanese authorities in North China for the control of exchange with resultant negation of our rights and interests as well as negation of previous assurances from the Japanese Government. Such action would appear to fall under heading (a) of paragraph 4 of the Department's telegram.

2. With regard to paragraph 3 of section 1 of the Department's telegram, Craigie and Hall-Patch visualize the proposed international supervision of exchange control as consisting of only one or two representatives of the foreign banks in Tientsin to ensure a non-discriminatory distribution of available exchange. Furthermore this proposal, in Craigie's opinion, should be advanced only as a second step. Up to the present he has received instructions authorizing only the first step set forth in my paragraph 1 above and this step is to be taken only after the French Ambassador and I have received authorization for parallel action.

3. With regard to heading (c) of paragraph 4 of the Department's instruction, Craigie feels that the most effective form of negative pressure would be an endeavor by our respective Governments to prevent or discourage loans or credits to Japan. In this connection I reminded him of the contents of the Department's telegram No. 338 of December 10, 7 p. m.<sup>18</sup> which I had communicated to him at that time. Craigie furthermore feels that publicity might with effect be carried by the financial newspapers in our respective countries showing up the Japanese program and its effect on foreign business in complete contravention of the principle of the Open Door. These points might discreetly be touched upon in the course of our oral representations.

GREW

<sup>18</sup> *Foreign Relations*, 1937, vol. III, p. 785.

893.5151/450a : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, April 4, 1938—noon.

117. Department's 113, March 31, 7 p. m. On April 1 the French Ambassador called at the Department in regard to the question of eventual establishment of exchange control in north China. He referred to certain proposed measures consisting of the recognition by the foreign banks at Peiping and at Tientsin of the monetary system in north China and cooperation on their part with the bank of issue set up by the provisional government. He stated that the French Government was of the opinion that cooperation with the Japanese authorities upon the above-indicated basis should be arranged locally and upon the sole responsibility of the interested banks.

The Department in reply has informed the French Ambassador of the general purport of its telegram under reference and that the Department agrees that any relation which foreign banks may have with the new authorities in north China must be solely upon the responsibility of those banks. The Department has also informed the French Ambassador that you will keep in touch with your French colleague in the matter and that in the light of your 220, April 2, 8 p. m., the Department is studying the question of authorizing you to make an oral approach to the Japanese Government in regard to the discriminatory effect of the plans of the authorities in north China for the control of exchange.

HULL

893.5151/428 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, April 6, 1938—4 p. m.

121. Department's 113, March 31, 7 p. m., and your 220, April 2, 8 p. m. When you have ascertained that your British and French colleagues are prepared to take similar action, you are authorized to make an oral approach, supported by an *aide-mémoire*, to the Japanese Foreign Office on the question of the establishment of exchange control in north China.

The Department suggests that in your approach to the Japanese Government you point out (1) that, having in mind the experience of American interests in Manchuria, we view with great concern recent developments in north and central China where régimes are being established and maintained by means of Japanese military impulsion and support; (2) that there has already been press comment in the United States to the effect that discrimination in favor



of Japan's trade with north China is to be effected by means of a new currency "pegged to the yen and subject to rigid control"; and (3) that inasmuch as there is reason to fear that such control would have a seriously adverse effect on American rights and interests, especially trade interests, in north China, we would welcome assurances from the Japanese Government that it will not support or countenance financial or other measures in the areas occupied by Japanese forces in China which discriminate against American interests. The Department suggests that in your discretion you also make full reservations in regard to American rights and interests.

The Department leaves to your discretion whether or not in your approach you should make reference to the situation which has developed in Manchuria as a result of the exchange and trade control there and in Japan. It appears that you have copies of Harbin's and Mukden's reports on the subject. These reports indicate clearly that the system whereby the Japanese and Manchurian exchange and trade control laws are not applicable to the movement of funds and goods between Manchuria and Japan is in effect discriminatory against foreign goods, including American goods, inasmuch as such goods cannot be imported into Manchuria without specific authorizations which in practice are frequently delayed or refused.

Please continue to keep the Department fully informed.

Repeat to Hankow.

HULL

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893.5151/447 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

ТокYO, April 12, 1938—10 a. m.

[Received April 12—7:05 a. m.]

240. Department's 121, April 6, 4 p. m., currency exchange control in North China. An oral approach was made to the Minister for Foreign Affairs by me today supported by an *aide-mémoire*.<sup>19</sup> The British Ambassador took similar action yesterday and I am informed that the French Ambassador will do so today. I appealed to the Minister on the basis of the principle of equal opportunity and the Open Door whose support in China the Japanese Government has frequently enunciated. Our *aide-mémoire* furthermore made full reservation in regard to American rights and interests.

The Minister said he understands that the authorities in North China are now discussing the currency question with the foreign banks

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<sup>19</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 763.

in Tientsin and he hopes that these discussions will lead to an arrangement acceptable to all. He said that he would have to refer our *aide-mémoire* to his experts before replying but he stated that the Japanese Government will continue to support the principle of equal opportunity and the Open Door in China.

Repeated to Peiping and Shanghai for Hankow.

GREW

893.515/1302 : Telegram

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

HANKOW, April 13, 1938—2 p. m.  
[Received April 13—12:07 p. m.]

204. Following third person note dated April 12 has been received from Ministry of Foreign Affairs (translation) :

"The Ministry of Foreign Affairs has received a report stating that the so-called 'Federated Reserve Bank', organized and established by the bogus organization in North China, is hastily printing bogus bank notes amounting to \$300,000,000 for the purpose of exchanging them into legal bank notes of the Central Bank of China, the Bank of China, and the Bank of Communication[s]. It is ascertained that the bogus 'Federated Reserve Bank' is purely a type of illegal organization, the object of which is to disturb the Chinese currency. It is injuring [*injurious*] not only to the Chinese people, but also adversely affects the trade of all countries in China. The said type of bogus banking [*banknote*] is absolutely invalid within China, and the Chinese Government in future will not assume any responsibility for its exchange and adjustment. The Ministry requests the American Embassy to notify all American residents in China thereof."

Repeated to Peiping and Shanghai.

JOHNSON

893.6363/151 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, April 15, 1938—5 p. m.  
[Received April 15—2:10 p. m.]

548. Following from Tokyo

"248, April 15, 11 a. m. Some days ago the Standard Oil Company's representatives called at the Embassy and stated that they feared some sort of quota system was about to be established in North China with the formation of a North China oil company and asked us to make appropriate inquiries at the Foreign Office. We have made such inquiries orally and informally. In the meanwhile the British Commercial Counselor took up the question on behalf of the British oil interests in North China with the Chief of the Commercial Section

of the Foreign Office. He pointed out the effects of the 'Manchukuo' oil monopoly,<sup>20</sup> and expressed the hope that any new project in North China would not cause trouble just for want of a little foresight in meeting the reasonable requirements of foreign oil suppliers. When asked what those requirements were, the British Commercial Counselor replied (1) protection of the present trade of the foreign companies and (2) a fair share of any natural increase. He left with the Chief of the Commercial Section a memorandum reading as follows:

'His Majesty's Embassy have received reports to the effect that arrangements are now being made for the formation of a North China oil company, in which Japanese oil interests will hold a majority of shares, and which will operate under a system of official control involving import quotas and sales quotas.

In view of difficulties lately experienced by British oil interests as a result of monopolistic control of the oil business in Manchuria, His Majesty's Embassy view with misgiving the prospect that similar methods may be adopted in North China; and therefore beg to enquire of the Imperial Ministry of Foreign Affairs whether there is any truth in the reports in question.'

Does the Department perceive any objection to our leaving with the Foreign Office a memorandum along the same lines as the British?

Please repeat to Hankow and Peiping as our No. 248, April 15, 11 a. m. Grew."

GAUSS

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893.6363/151 : Telegram

*The Acting Secretary of State to the Consul General at Shanghai*  
(Gauss)

WASHINGTON, April 18, 1938—9 p. m.

273. Your 548, April 15, 5 p. m. Following for Toyko:

"Your 248, April 15, 11 a. m.,<sup>21</sup> in regard to the possible formation of a north China oil company.

The first paragraph of your telegram under reference might be open to the inference that the British Commercial Counselor assents to the idea that the Japanese have a right to ration to the foreign companies 'a fair share of any natural increase' in the north China market for petroleum products. The Department would not assent to such an idea. With this understanding in mind the Department authorizes you to leave with the Japanese Foreign Office a memorandum along the lines of the British memorandum."

Please repeat to Hankow and to Peiping for information.

WELLES

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<sup>20</sup> For correspondence, see *Foreign Relations*, 1937, vol. iv, pp. 723 ff.

<sup>21</sup> See *supra*.

893.6363/154

*The American Embassy in Japan to the Japanese Ministry for Foreign Affairs*<sup>22</sup>

## AIDE-MÉMOIRE

Information reaching the Government of the United States indicates that there is contemplated the establishment of an Oil Company in North China in which Japanese interests will control a majority of the shares, and that such a company, if and when established, will operate under a system of officially controlled import and sales quotas.

The Government of the United States would welcome assurances that, in the event the information reaching it should prove to be true, American Oil Companies trading in North and Central China will not be denied equality of opportunity by reason of the establishment of the contemplated company controlled by Japanese interests or any system of import and sales quotas which may be imposed now or in the future.

TOKYO, April 20, 1938.

893.515/1307: Telegram

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

HANKOW, April 30, 1938—noon.

[Received April 30—8:15 a. m.]

225. Tokyo's 281, April 28, 6 p. m.<sup>23</sup> I have an idea that one of the matters which is disturbing the British on the currency situation in North China is the reported purchase of the currency of the new bank by the British-American Tobacco Company (see Tsingtao's April 20, 9 a. m.<sup>23</sup>). I understand that the Chinese protested to the British Embassy in regard to this matter (see my 210, April 21, 3 p. m.<sup>23</sup>) but doubt whether it would be wise for us to become conspicuously interested in the question of this exchange, and with the Department's approval I shall instruct the Consulates at Tientsin, Tsingtao and Shanghai and the Embassy at Peiping to keep me currently informed in regard to economic conditions in North China and the effects thereon of the new Federal Reserve Bank currency.

Repeated to Shanghai, Shanghai please repeat to Tokyo.

JOHNSON

<sup>22</sup> Copy transmitted to the Department by the Ambassador in Japan in his despatch No. 2899, April 22; received May 21.

<sup>23</sup> Not printed.

893.515/1307 : Telegram

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

WASHINGTON, April 30, 1938—2 p. m.

135. Your 225, April 30, noon. The Department approves your instructing various offices as proposed. The Department suggests that, unless you perceive objection, you instruct Caldwell<sup>24</sup> to assume primary charge, under your direction, of coordinating the American study of this subject and to keep in touch with Sansom<sup>25</sup> and Hall-Patch while they are in north China. If you concur in the procedure outlined above, please issue appropriate instructions and repeat the foregoing to Tokyo.

WELLES

893.5151/457 : Telegram

*The Consul General at Tientsin (Caldwell) to the Secretary of State*

TIENTSIN, May 13, 1938—9 a. m.

[Received 9:05 a. m.]

The attorney for the National City Bank in Tientsin has requested that the following matter be brought to the attention of the Embassy with a view to the issuance of appropriate instructions to the Consulates in North China and Shanghai in the event that unduly oppressive exchange, import or export restrictions are imposed in those areas: The Bank understands that the Chinese National Government has imposed excessive restrictions on export trade at Hankow and Canton under which export licenses are required and that these licenses cannot be obtained without production of proof that the exchange has been negotiated through the Central Bank of China. The bank fears that if such restrictions are imposed by the Chinese National Government similar restrictions will be imposed by the *de facto* governments in North China and Shanghai and that if no protest is made in Hankow it will be difficult to oppose such action by the *de facto* governments, and considers it highly desirable that the Embassy point out to the National Government the undesirability of such discriminatory regulations and endeavor to have the matter adjusted.

Sent to Hankow and Peiping.

CALDWELL

<sup>24</sup> John K. Caldwell, Consul General at Tientsin.<sup>25</sup> Sir George B. Sansom, Commercial Counselor of the British Embassy in Japan.

893.515/1310 : Telegram

*The Consul General at Tientsin (Caldwell) to the Secretary of State*

TIENTSIN, May 13, 1938.

[Received May 13—11:20 p. m.]

Embassy at Hankow's May 2, 4 p. m.<sup>26</sup> Have kept in touch with Sansom and Hall-Patch who informed me just before they departed for Japan yesterday that no discriminatory effect of new currency is apparent at present but that there might be such effect if her exchange or trade control measures were put in force and that they consider that there is reason to fear that such measures might be enforced very suddenly. I concur in these views.

Mailing report and will continue to give close attention to this matter and telegraph anything of urgent importance.

CALDWELL

893.5151/458 : Telegram

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

HANKOW, May 16, 1938—11 a. m.

[Received 6:44 p. m.]

247. Tientsin's May 13, 9 a. m. It is understood that National Government has imposed restrictions on export trade at Hankow and Canton for the purpose of controlling exchange in favor of the National Government. I have discussed matter on several occasions with local manager of the National City Bank who is discontented because regulations of Government have resulted in clients negotiating direct through Government banks for exchange rather than through him. It is possible for merchants to apply for exchange through foreign banks, but foreign banks are required to resell such exchange to the Bank of China or to the Bank of Communications. Merchants have endeavored to cooperate with Government and are generally contented with present arrangement which is perhaps best they can obtain under present conditions. Under the circumstances I have not felt that it would serve any useful purpose for me to protest to the National Government, particularly on the grounds mentioned by the Bank at Tientsin.

Repeated to Tientsin and Peiping.

JOHNSON

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<sup>26</sup> Not printed.

893.5151/460 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, May 17, 1938—2 p. m.

[Received 3:03 p. m.]

676. Local firms, especially oil and tobacco companies, are bitterly complaining against the exchange restrictions. Last week the Chinese authorities declined to grant any exchange to the two leading American oil companies and to several of the tobacco firms. Apparently two tobacco companies were granted the amounts of exchange applied for but local banking authorities state that this was through error and that the Chinese will not henceforth approve applications for exchange for oil and tobacco companies. Other American firms are also suffering lack of exchange facilities and are finding it increasingly difficult to carry on trade. A continuation of this restrictive policy, while no doubt based on sound financial and political policy from the Chinese Government point of view, is a serious barrier to normal trade activity and American firms are greatly concerned over the outlook.

Repeated to Hankow and Peiping.

LOCKHART

893.5151/461 : Telegram

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

HANKOW, May 18, 1938—3 p. m.

[Received May 18—1:50 p. m.]

251. I am advised that Chinese authorities are refusing to issue exchange to oil companies because they have been selling oil to Japanese and remitting funds on exchange issued by Chinese Government, and that exchange is being denied tobacco companies because of transactions between tobacco companies and Japanese whereby tobacco companies are furnishing exchange granted by the Chinese Government in return for notes of Federal Reserve Bank in North China which they are using to purchase tobacco in Shantung.

Repeated to Nanking and Shanghai.

JOHNSON

893.5151/465 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*PEIPING, May 24, 1938—4 p. m.  
[Received May 24—8:20 a. m.]

315. Hankow Embassy's May 15, 6 p. m.,<sup>27</sup> Tientsin's May 18, 4 p. m. and this office's 312, May 21, 1 p. m.<sup>28</sup>

1. American banker here states that local financial authorities are not yet imposing control measures to obtain foreign exchange. The small amount of Federal Reserve Bank notes in circulation indicates failure by the bank to exchange any large quantity for either existing issues or foreign exchange. Although the 7-month period fixed for withdrawal in North China of other than local issues ends June 10 the situation is still confused.

2. Inaction by the Japanese and monetary authorities is believed due to (1) the desire not to aggravate foreign commercial interests and other governments by imposition of exchange and trade restrictions unless absolutely necessary to implement the program for North China economic development and (2) the necessity of concretely amalgamating the Peiping and Nanking régimes before pushing forward the currency program. It seems possible that Japan's own foreign exchange problem causes the Japanese Government to be prepared to make concessions if foreign commercial interests could thereby be induced to assist.

Sent to Hankow, Shanghai and Tientsin, by mail to Tokyo.

SALISBURY

893.5151/458 : Telegram

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

WASHINGTON, May 24, 1938—4 p. m.

156. Tientsin's May 13, 9 a. m., and your 247, May 16, 11 a. m. The Department concurs in the opinion expressed in the last substantive sentence of your telegram under reference and in connection therewith offers the following observations:

1. In the opinion of the Department the imposition of import, export, and exchange restrictions which are non-discriminatory as amongst foreign powers or nationals does not afford a basis for protest as a violation of rights.

<sup>27</sup> Not found in Department files.

<sup>28</sup> Latter two telegrams not printed.



2. The Department, however, regards such controls as severely restrictive and disruptive of international trade, and in pursuance of its trade policy it endeavors under ordinary conditions to use its influence to prevent or restrict the employment of these controls as protective devices. The circumstances under which such controls are employed by a state, however, and the objectives of their employment may not be ignored. In the present instance the controlling circumstance is the conduct in China of large-scale military operations by a foreign power and the ultimate objective of China's employment of the controls in question is the continued existence of the Chinese state as a sovereign power. It is therefore the opinion of the Department that an approach to the Chinese Government along the line suggested in Tientsin's telegram under reference would not be appropriate.

3. Import, export, and exchange control systems lend themselves readily to practices of discrimination. The Embassy should watch vigilantly for developments of this kind which might call for representations.

4. In the opinion of the Department, this Government's position in regard to any import, export, or exchange controls which may be established by the provisional régimes in Peiping and Nanking will not be weakened by failure to make representations in Hankow. This Government does not recognize those régimes and its policy in the event that those régimes take steps which are inimical to American interests is to hold the Japanese Government responsible.

Repeat to Tientsin, Peiping, Shanghai and Tokyo.

HULL

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893.515/1313 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, May 27, 1938—4 p. m.

[Received May 28—6 a. m.]

330. Embassy's 320, May 25, 5 p. m.<sup>29</sup> An undated proclamation carried by today's press over the signature of Wang Keh Min<sup>30</sup> prohibits circulation, after June 10, of notes of Banks of China and Communications except for North China issued [*issues?*] and of the following banks: Land Bank of China, Commercial Guarantee Bank of Chihli, China Development Bank, National Commercial Bank, Tah Chung Bank, Frontier Bank, Agricultural and Industrial Bank of China, Central Bank of China, China and South Seas Bank, Commercial Bank of China, Bank of Agriculture and Commerce, Ningpo Commercial and Savings Bank, Farmers Bank of China.

<sup>29</sup> Not printed.

<sup>30</sup> Head of the Japanese-sponsored Provisional Government at Peiping.

At end of proclamation there is admonition to holders of such notes to take steps to change them from [*for?*] Federal Reserve Bank notes before expiration of the time limit "in order to avoid unexpected losses". It is stated also that such notes are not to be given or received after June 10 but that this does not apply to the receipt by the various banks of their own notes.

Sent to Ambassador [at] Hankow, Shanghai, by mail to Tokyo and Tientsin.

SALISBURY

893.6363/162 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, July 2, 1938—noon.

[Received July 3—3 a. m.]

409. Embassy's 269, April 29, 5 p. m.<sup>31</sup> Reuters translations of yesterday from Tientsin.

*Yung Pao* (Japanese) of June 30 reports substantial progress toward formation of a petroleum control company to be known as "North China Petrol Limited Company", which will start business as soon as approval of Chinese (Provisional) and Japanese Governments is received. Company is to be capitalized at \$20,000,000, one half paid in, 80 per cent of the paid-in capital to be provided by Japan Petrol Company, Manchurian Petrol Company, Chosen Petrol Company and Sun Petrol Company; 10 per cent by Standard Oil, Texas Company and Asiatic Petroleum; remaining 10 per cent by owners of oil tankers. Measures for development and utilization of the Taha Oil Company are reportedly being considered. News item concludes:

"Handicapped by the inability of getting foreign exchange following the issue of new notes and outsold by the cheaper Japanese oil, the business of the three foreign oil concerns has registered a marked decline and the Japanese oil has practically dominated the market. At present, only Japanese oil is being sold along the Tsingpu,<sup>32</sup> Peiping,<sup>33</sup> Kinpao (Peiping-Suiyuan), and Kinhan<sup>34</sup> Railways. The end of American and British oil in North China is clearly in sight."

Standard Oil here has heard nothing of the reported move but states that the Taha Company, formerly the Sino-Soviet enterprise now under complete control of the Japanese Ido Mitsu interests, has recently been underselling Standard Oil gasoline by about \$1.50 local currency per 10-gallon unit and kerosene by about \$1.30; that the Japanese Agura Oil Company, however, has been unable to move its

<sup>31</sup> Not printed.

<sup>32</sup> Tientsin-Pukow.

<sup>33</sup> Peiping-Liaoning (Mukden).

<sup>34</sup> Peking (Peiping)-Hankow.

stocks from Japan into North China and cannot itself purchase petroleum products from Standard Oil (although it has indicated its interest in obtaining American stocks) because of inability to acquire the necessary foreign exchange.

Repeated to the Ambassador and Shanghai. By mail to Tokyo and Tientsin.

SALISBURY

893.6363/161 : Telegram

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

HANKOW, July 2, 1938—2 p. m.  
[Received July 2—12: 35 p. m.]

329. Reference Tokyo's 248, April 15, 11 a. m.<sup>35</sup> and the Department's 273, April 18, 9 p. m., oil monopoly in North China.

1. The Hankow representative of the Standard Vacuum Oil Company, acting on instructions from his Shanghai office, called on me today and stated that information has been received from the Tientsin representative of the firm to the effect that the managing director of the Manchuria Oil Company had called on the three foreign oil companies at Tientsin on June 30, stating that at the suggestion of the Mengchiang<sup>36</sup> Autonomous Government an oil marketing company will be formed July 5, with the head office to be established at Kalgan, to sell oil products in the so-called Mengchiang area, "that is, in the area adjacent to the Pingsui Railway"; that the capital of the proposed company will be yen 800,000 of which the Manchuria Oil Company will subscribe yen 450,000, the Mengchiang Government Bank and Bus Company yen 200,000, while the three foreign oil companies are offered the opportunity to subscribe presumably yen 50,000 each; that the managing director of the Manchuria Oil Company has confirmed the foregoing declaration in writing to the foreign companies; that further examination will be given subsequently, but meanwhile no information is available as to the plans for the allocation of trade or the brands of the products to be marketed by the proposed company; and that the director of the Manchuria Oil Company expects to receive a reply from the foreign oil companies as to intended investment and participation on or before July 10. The Tientsin representative of the Standard Oil Company is understood to have stressed to his Shanghai office that the participation of the South Manchuria Railway and the Mengcheng [*Mengchiang?*] Bank in the proposed company will have obvious consequences to trade in connection with transportation and banking facilities.

<sup>35</sup> See telegram No. 548, April 15, 5 p. m., from the Consul General at Shanghai, p. 13.

<sup>36</sup> Inner Mongolia.

2. The local representative of the Standard Oil Company was instructed to ascertain my attitude in the light of the developments set forth above.

3. I am of the opinion that the situation as related above seems to call for renewed protest to the Japanese authorities on the ground that the proposed oil marketing company will probably tend to assume a monopolistic position calculated to force the foreign oil companies to participate in the proposed company or be denied equality of treatment in the marketing of oil products in the areas where the new company proposes to operate, thus resulting in the ultimate exclusion of the foreign companies therefrom.

4. I am informing the local representative of the Standard Oil Company that I am not in a position to advise what attitude the company should adopt toward the proposal set forth by the managing director of the Manchuria Oil Company, and that I have referred the matter to Washington for consideration and possible action.

5. I am informed that the Shanghai office of the Standard Oil Company has brought this matter to the attention of its Yokohama and New York offices.

Repeated to Peiping, Tientsin, and Shanghai. Shanghai please repeat to Tokyo.

JOHNSON

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600.939/195 : Telegram

*The Secretary of State to the First Secretary of Embassy in China  
(Salisbury), at Peiping*

WASHINGTON, July 2, 1938—7 p. m.

176. If you have not already done so please repeat urgently to Tokyo Tientsin's 113, June 29, 3 p. m., and 114, July 1, 6 p. m.,<sup>87</sup> and transmit the following instruction to Tokyo as from the Department as 229, July 2, 7 p. m. :

"Tientsin's 113, June 29, 3 p. m., and 114, July 1, 6 p. m., in regard to embargo upon exportation of hides and skins.

The Department desires that you approach the Japanese Foreign Office, in such manner as you consider will be most effective, and, recalling the position taken in our 31, January 30, 1 p. m.,<sup>88</sup> with special reference to the statements in regard to the arbitrary and illegal assumption of authority by the provisional régime in Peiping and to the Japanese Government's responsibility for the acts of the provisional régime, point out that the export prohibition placed on domestic animal hides and skins is definitely inimical to American interests in a number of ways, such as :

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<sup>87</sup> Neither printed.

<sup>88</sup> Vol. III, p. 638.

(1) American firms in China engaged in purchasing and exporting hides and skins will suffer heavy loss;

(2) American consumers, who take the bulk of Chinese exports of domestic animal hides and skins, will be seriously embarrassed by the loss of China as a source of supply; and

(3) inasmuch as the provisional régime in Peiping has established and is maintaining an inconvertible currency, foreign exchange for the purchase of American products is available only as it accrues from export operations to this country or other non-Japanese countries and, under the circumstances, American imports into north China may be curtailed roughly to the same extent that exports to this country are curtailed.

The Department desires that, on the basis of the statements in the foregoing paragraph and in the light of the information contained in Tientsin's two telegrams under reference, you request that the Japanese Government take steps to cause the removal of the unwarranted restriction placed upon American trade with north China.

You may also consider it useful to bring the situation under reference to the attention of the Foreign Minister in your conversation on July 4."

Please repeat to Hankow and Tientsin.

HULL

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600.939/201 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, July 6, 1938—7 p. m.  
[Received July 6—8:40 a. m.]

444. Tientsin's 114, July 1, 6 p. m.;<sup>39</sup> and Department's 329 [229], July 2, 7 p. m.,<sup>40</sup> export embargo hides and skins. I presented this case to the Minister for Foreign Affairs<sup>41</sup> during the course of my recent interview with him<sup>42</sup> (our 437, July 4, 7 p. m.<sup>43</sup>) and today we delivered to the Foreign Office an *aide-mémoire* along the lines desired by the Department.

Repeated to Peiping for Tientsin and Hankow.

GREW

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<sup>39</sup> Not printed.

<sup>40</sup> See *supra*.

<sup>41</sup> Gen. Kazushige Ugaki.

<sup>42</sup> See memorandum of July 4 by the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. I, pp. 605, 610.

<sup>43</sup> See telegram No. 945, July 5, noon, from the Consul General at Shanghai, vol. III, p. 211.

893.6363/162 : Telegram

*The Secretary of State to the First Secretary of Embassy in China (Salisbury), at Peiping*

WASHINGTON, July 7, 1938—[6 p. m.]

Following for Tokyo as No. 232, July 7, 6 p. m. :

"Reference Hankow's 329, July 2, 2 p. m., and Peiping's 409, July 2, noon, in regard to the organization of oil companies.

Please consult with your British colleague and with the representative of the Standard Vacuum Oil Company in regard to this matter and inform the Department of the result of such consultation.

For your confidential information, we apprehend in these reported developments a definite move on the part of the Japanese to establish in Chinese territory under their control monopolies similar to those in Manchuria and as such inimical to American trade interests; and we consequently feel that a protest should be made in the most emphatic terms against the organization of the proposed companies. We could not but view the development in China of a situation which the organization of the companies foreshadows as nullifying repeated Japanese assurances with regard to the maintenance of the open door and equality of opportunity in China and as calling for consideration of appropriate means to meet such an undesirable development.

The Department would appreciate having the benefit of your views with regard to this problem in the light especially of the assurances recently given to you by the Foreign Minister."

Repeat to Hankow.

HULL

600.939/209 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, July 13, 1938—4 p. m.

[Received July 13—1:30 p. m.]

440. Embassy's 437, July 12, 4 p. m.<sup>44</sup> A Secretary of the Japanese Embassy states that the embargo on export of skins and hides was imposed by the direction of the Japanese military to meet increasing army need for leather, Terauchi<sup>45</sup> being responsible for the order. Informant requested to be informed of the extent of American interest in that export trade and particularly of the amount of the shipments now being held up by the imposition of the new order, and expressed willingness to take up the matter with the military,

<sup>44</sup> Not printed.

<sup>45</sup> Gen. Count Terauchi, Commander in Chief of the Japanese Army in North China.

"in consideration of friendly relations between Japan and the United States."

The Embassy is furnishing him the pertinent information from Tientsin's telegrams. Has the Department any instructions?

Repeated to Tokyo, the Ambassador at Hankow and Tientsin.

[SALISBURY]

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600.939/208 : Telegram

*The Secretary of State to the First Secretary of Embassy in China  
(Salisbury), at Peiping*

WASHINGTON, July 13, 1938—4 p. m.

Please transmit the following instruction to Tokyo as from the Department:

"240, July 13, 4 p. m. Department's 176, July 2, 7 p. m., Tientsin's 113, June 29, 3 p. m., 114, July 1, 6 p. m., and 121, July 11, 2 p. m., and your 455, July 11, 6 p. m., and 460, July 13, 12 a. m.,<sup>46</sup> in regard to the north China embargo upon the exportation of hides and skins.

Provided you have not already adequately covered this phase of the problem in your representations as reported in your 455, July 11, 6 p. m., the Department desires that you approach the Japanese Foreign Office again, in such manner as you consider will be most effective, and, recalling with emphasis the Department's request that the embargo placed in north China upon the exportation of domestic animal hides and skins be removed, point out that on June 28, the day the embargo was imposed suddenly and without notice, Tientsin exporters had in their possession for immediate exportation to American purchasers and covered by letters of credit raw skins and plates valued at between \$400,000 and \$500,000 in United States currency, while additional unfilled contracts are estimated at \$2,000,000. American dealers, processors, and manufacturers are greatly exercised over the situation. The sudden and arbitrary manner in which the embargo was imposed without allowance for the clearance of contract purchases has placed them in an extremely difficult position. The Department desires that pending the Japanese Government's consideration of our general representations against the embargo you urge that Government to take steps to effect the immediate removal of the embargo in so far as it affects hides and skins covered by purchase contracts."

Please repeat to Tientsin.

HULL

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<sup>46</sup> Telegrams from Tientsin and Tokyo not printed.

600.939/211 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, July 14, 1938—1 p. m.

[Received July 14—7 a. m.]

442. Embassy's 440, July 13, 4 p. m. Without this Embassy's having supplied the information requested, a representative of the Japanese Embassy called late yesterday and stated that Japanese military propose: (1) The Japanese military shall purchase from American Export Company such stocks of hides and skins as may have been contracted for, insofar as those goods can be used by the Japanese Army, and (2) arrangements shall be made for the release for export by the American company of such cargo as is of too fine a quality for the army's requirements (see paragraph 2, Tientsin's 121, July 11, 2 p. m.<sup>47</sup>). In the event of acceptance of such arrangement, American authorities are to supply the Japanese Embassy four lists of the American company's holding stocks for export, giving exact figures for the several categories.

As acceptance of the proposal would be tantamount to acquiescence in the embargo, the Embassy recommends that it be authorized to refuse the offer and to urge that the embargo be completely cancelled. The Embassy will not supply the information desired by the Japanese Embassy unless instructed to do so.

Repeated to Tokyo, the Ambassador and Tientsin.

SALISBURY

600.939/215 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, July 16, 1938—3 p. m.

[Received July 16—7 a. m.]

468. Department's 240, July 13, 4 p. m. via Peiping, North China embargo on hides and skins. Realizing the importance of this matter I made an appointment with the Minister for Foreign Affairs this morning for a further discussion of the question of the embargo but as he was suddenly called to the Palace it became necessary to take up the matter with the Vice Minister.<sup>48</sup> I asked him to regard my representations as having been made to the Minister himself. Recalling emphatically my representations made to the Minister for Foreign Affairs on July 4 with regard to the embargo,<sup>49</sup> I made specific

<sup>47</sup> Not printed.<sup>48</sup> Kensuke Horinouchi.<sup>49</sup> See memorandum of July 4, *Foreign Relations, Japan, 1931-1941*, vol. 1, pp. 605, 610.



reference to our *aide-mémoire* of July 6 reported in our 444 of July 6, 7 p. m., and emphasized the seriousness of the situation as set forth in the Department's telegram under acknowledgement.

The Vice Minister opined that the embargo measure had been taken by the authorities of the North China régime. I said that it was unquestionably a measure taken at the incentive of the Japanese military and added emphatically that if the Japanese Government were to take refuge by disclaiming technical responsibility a most unfortunate impression would be created in the United States which I believe the Japanese Government would do well to avoid. I pointed out the time that [had] elapsed since our original representations and urged that the matter be promptly dealt with and favorably settled by telegraph, requesting that General Ugaki be urgently informed of these representations and of the importance both of the principle at stake and the considerable financial losses involved, both of which ran counter to assurances already given me by the Foreign Minister guaranteeing the protection of American interests in China.

Repeated to Shanghai for Peiping and Tientsin.

GREW

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600.939/211 : Telegram

*The Secretary of State to the First Secretary of Embassy in China (Salisbury), at Peiping*

WASHINGTON, July 16, 1938—3 p. m.

191. Your 442, July 14, 1 p. m., and 440, July 13, 4 p. m., and the Department's 240, July 13, 4 p. m., to Tokyo, in regard to the north China embargo on hides and skins.

1. You may say to the representative of the Japanese Embassy that the American Government has made emphatic requests of the Japanese Government that (1) the embargo be removed and that (2) pending the consideration of our general representations against the embargo the Japanese Government take steps to effect the immediate removal of the embargo in so far as it affects hides and skins covered by purchase contracts, and that the American Government awaits a reply to these representations. You may say further that the American Government is not disposed to raise objection should the American dealers in north China agree to sell to the Japanese military authorities stocks of hides and skins but that information in regard to those stocks should be obtained directly from the dealers concerned and purchase proposals should be made directly to those dealers. Add, however, that the American Government's interest in the removal of the embargo arises from its desire to protect not only American dealers in China but also large interests in the United States, namely,

those of American consumers and of American industry and trade generally (see Department's 176, July 2, 7 p. m., to Tokyo).

2. In case the Japanese military authorities should make offers to American dealers and the latter should approach you for advice, you may inform them of the efforts of the Department to effect the removal of the embargo but tell them that they alone must decide whether or not to bargain with the Japanese.

Please repeat to Tokyo and keep Tokyo and the Department fully informed of your actions.

HULL

893.6363/168 : Telegram

*The Secretary of State to the First Secretary of Embassy in China (Salisbury), at Peiping*

WASHINGTON, July 19, 1938—7 p. m.

Following for Tokyo as Dept's. No. 250, July 19, 7 p. m.:

"Department's 232, July 7, 6 p. m., your 456, July 11, 7 p. m., and Hankow's 353, July 14, 10 a. m., and 354, July 15, 4 p. m.<sup>50</sup> in regard to organization of an oil monopoly in Inner Mongolia.

Under the date July 14 the Standard Vacuum Oil Company addressed a letter to the Department requesting action to fully protect the company in its right to 'carry on trade unhampered by rules or regulations promulgated by Japanese authorities or their controlled officials of puppet states set up in China.'

The Department would appreciate receiving your views and recommendations in regard to possible representations to the Japanese Government on this matter."

HULL

893.6363/172 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, July 20, 1938—1 p. m.

[Received July 20—7:15 a. m.]

476. Department's 232, July 7, 6 p. m., via Peiping—organization of oil companies in North China. Standard Vacuum Oil Company informs us today that it has received instructions from the parent company in New York that they do not wish to participate in any arrangement which would prevent their operation as an American company marketing their products independently and under their own brands in North China and have requested our full support in maintaining equality of opportunity for them to operate in China concurrently with any special company that may be established there.

<sup>50</sup> Latter three telegrams not printed.

Accordingly unless otherwise instructed I propose to see the Foreign Minister tomorrow morning and protest along the lines indicated in the Department's telegram under acknowledgement.

Although my British colleague will not return to town until tomorrow, I understand from his Commercial Counselor that he is prepared to make a protest along similar lines.

GREW

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893.6363/172 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, July 20, 1938—6 p. m.

251. Your 476, July 20, 1 p. m., in regard to the organization of oil companies. The Department approves your contemplated course of action and suggests that you be most emphatic in pointing out to the Japanese Government the utter inconsistency of action looking toward the setting up of what amounts to Japanese monopoly control in the areas mentioned with official Japanese assurances in regard to respect for foreign rights and interests in China and for the principle of equality of opportunity. In making this point, it is further suggested that, on the basis of information which you presumably have received from the representative of the American oil company, you inform the Japanese Government impressively of the very serious effects which the establishment of monopoly control over the marketing of petroleum products in the areas involved will have upon the business of American companies.

The Department desires that you make clear to the Japanese Government the grave concern with which we view the developments under reference.

HULL

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693.116/135 : Telegram

*The Consul General at Tientsin (Caldwell) to the Secretary of State*

TIENTSIN, July 21, 1938—10 a. m.

[Received July 21—7 a. m.]

134. Since July 18, presumably on instructions of Provisional Government but without formal notice, local Customs have refused to permit importation of radio and wireless equipment without permits from the Superintendent of Customs which will be issued only upon the request of a consular office. Customs informally state that probably permits can be obtained for equipment already ordered. There

is reason to believe, however, that the present restrictions presage complete embargo.

Repeated to Peiping and Hankow.

CALDWELL

893.6363/173 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, July 21, 1938—6 p. m.

[Received July 21—7:10 a. m.]

478. Department's 251, July 20, 6 p. m., in regard to the organization of oil companies. In my interview today with the Minister for Foreign Affairs, emphatic and insistent oral representations were made along the lines set forth by the Department both in principle and in detail and the Minister was left in no doubt as to the grave concern with which the American Government views the developments under reference. On behalf of the Government of the United States, I entered an emphatic protest against the organization of such monopolistic companies which we regard as nullifying repeated Japanese assurances concerning the maintenance of the Open Door and equality of opportunity in China.

General Ugaki after listening intently to my representations said that he was unfamiliar with the facts which I had presented but that he would investigate them immediately and in the meantime he reiterated his previous assurances that the Open Door in China will be maintained and that the Japanese Government will fully respect the principle of equal opportunity.

Repeated to Shanghai for Peiping and Hankow.

GREW

600.939/223 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, July 21, 1938—7 p. m.

[Received July 21—7:18 a. m.]

479. Our 468, July 16, 3 p. m., North China embargo on hides and skins. In my conversation with the Minister for Foreign Affairs today he told me that the embargo had been lifted except for the lowest classes of hides and skins which are of immediate necessity to the Japanese Army. I expect to receive further details from the Foreign Office tomorrow which will be promptly cabled.

Repeated to Peiping.

GREW

600.939/225 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

Tokyo, July 22, 1938—11 a. m.

[Received July 22—1:14 a. m.]

482. Our 479, July 21, 7 p. m., North China embargo on hides and skins. The Foreign Office has furnished us informally a statement in writing of which the following is a translation.

“Regarding the embargo on hides and skins from North China. In regard to the embargo on cowhides and other hides and skins which was recently promulgated because of military necessity, we have been informed that, as a result of full consideration of the statements of the American Government, the Provisional Government has issued an order that, for the time being, the export of first class articles which are not suitable for military use should be allowed.

In accordance with the above it is believed that in so far as it is possible, attention will be paid to the interests of foreigners, since it is probable that the embargo will be lifted on the greater part of the articles which, at the time of the promulgation of the embargo were already contracted for sale, and further since it is believed that the army may have made preparations to purchase such other articles as were already contracted for sale.

A formal written reply concerning this matter will be made later.”

The substance of the formal reply will be promptly cabled when received.

Repeated to Peiping.

GREW

600.939/226 : Telegram

*The Consul General at Tientsin (Caldwell) to the Secretary of State*

TIENTSIN, July 22, 1938—3 p. m.

[Received July 22—1:45 p. m.]

137. My 135, July 21, 1 p. m.,<sup>51</sup> and Tokyo's 479, July 21, 7 p. m. Communication from Superintendent of Customs dated July 21st quotes Provisional Government order July 18th stating that embargo covers “untanned cow hides, and sheep, goat, and lamb skins, but all kinds of fine furs and skins are not banned. We have to explain clearly as follows: (1) sheepskins; (2) slink skins (with hair longer than 25 millimeters); and (3) lamb skins. The exportation of the articles above mentioned is prohibited by this order but other than these, all fine furs and skins, no matter whether previously purchased or bought after the issuance of the ban, are permitted to be exported.”

In view of his suggested exemption from embargo of expensive lamb skins, mentioned in my telegram 135, and absence of Superin-

<sup>51</sup> Not printed.

tendent in Peiping, Commissioner of Customs has so far refrained from issuing notice of modification of embargo, pending which embargo is not being relaxed. Customs state that notice will not be issued until after return of Superintendent, probably not before Monday, July 25.

In acknowledging receipt of communication from Superintendent, I have reminded him that when I called on him on July 1st, I objected not merely to embargo on hides and skins suitable for military use but to an embargo on any hides and skins normally exported to the United States and that I had asked that pending discussion of this question all hides and skins ready for shipment to the United States on June 28th be released for export.

Repeated to Peiping, Hankow and Tokyo.

CALDWELL

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600.939/227 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, July 23, 1938—3 p. m.

[Received July 23—11 a. m.]

464. Embassy's 456, July 20, 1 p. m.,<sup>52</sup> and Tientsin's 137, July 22, 3 p. m. A secretary of the Japanese Embassy called this morning and stated informally that embargo will be lifted from most materials not urgently needed by the military, including lambskin plates, lambear plates, lambhead plates, and lambleg plates and all kinds of goat and kid skins but that the embargo continues for the time being on tanned and untanned lambskins. He stated that this means the embargo is lifted on almost all kinds of materials heretofore exported to the United States. He expects detailed and official information will be available in 2 or 3 days.

Repeated to Embassies Hankow, Tokyo and Consulate Tientsin.

SALISBURY

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693.116/136 : Telegram

*The Consul General at Tientsin (Caldwell) to the Secretary of State*

TIENTSIN, July 29, 1938—4 p. m.

[Received July 30—12:30 a. m.]

144. My telegram No. 134, July 21, 10 a. m. Although Commissioner of Customs assured me informally on July 19th that authorization would be issued by the Superintendent of Customs for importa-

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<sup>52</sup> Not printed.

tion of wireless equipment, at least for that already ordered or arrived at Tientsin, on request by consular officers, and that there was no embargo on such articles but merely a resumption of a former requirement of the Chinese National Government, no notice regarding which would be issued by Customs, a communication dated July 28th from the Superintendent replying to my requests for authorization for local firms to import American wireless equipment states that he received on July 14th "instructions from the Ministry of Administrative Affairs temporarily prohibiting the importation of wireless equipment pending authenticated orders as to what equipment may be imported"; that it is accordingly "inconvenient to grant the requests" in question; and that "appropriate action will be taken" concerning wireless equipment ordered prior to embargo upon the receipt of a report from the Commissioner of Customs. It is not likely that the Superintendent will act before consulting authorities in Peiping.

I believe that import permits will not be granted unless the matter is taken up.

Repeated to Peiping, Hankow, Tokyo.

CALDWELL

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600.939/234 : Telegram

*The Consul General at Tientsin (Caldwell) to the Secretary of State*

TIENTSIN, July 30, 1938—1 p. m.

[Received July 30—7:30 a. m.]

145. My 142, July 28, 2 p. m.<sup>53</sup> Customs notification dated yesterday and published today states that "embargo is only applicable to the following categories of hides and skins (including native dressed or tanned): ((1) cow and buffalo hides; (2) sheep skins; (3) slink skins, with hair exceeding 25 mm.; (4) lamb skins tanned or untanned; (5) lamb plates 'Mongolian type' and 'Turkestan type'.")

This continues embargo on all lamb skins regardless of whether or not suitable for military use, effect of which was referred to in my 141, July 26, 5 p. m.<sup>53</sup> Although certain lamb plates are now exempt, skins from which such exempt plates are made remain under embargo.

Embargo still applies to articles listed regardless of date of purchase by exporters who are left with goods ready for export on June 28 which they can neither export nor sell locally except at ruinous prices if at all. Although the Japanese military may eventually negotiate for the purchase of articles suitable for military use in the hands of exporters, it is likely that military will be prepared to buy at any fair

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<sup>53</sup> Not printed.

price articles not suitable for military use which are left on hands of exporters by embargo.

Embargo even as modified ignores existing contracts and jeopardizes entire export trade.

Repeated to Peiping, Hankow, Tokyo.

CALDWELL

600.939/236a : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, July 30, 1938—2 p. m.

265. Reference your 479, July 21, 7 p. m., and 482, July 22, 11 a. m., Tientsin's 141, July 26, 5 p. m.,<sup>54</sup> and other telegrams in regard to the north China embargo on hides and skins.

On July 21 the Minister for Foreign Affairs informed you orally that the north China embargo on hides and skins had been lifted "except for the lowest classes of hides and skins which are of immediate necessity to the Japanese Army". On July 22 the Japanese Foreign Office informed you in writing that "the Provisional Government has issued an order that, for the time being, the export of first-class articles which are not suitable for military use should be allowed."

The Department desires that you approach the Japanese Foreign Office and, choosing the method which you think best adapted to the case, point out forcefully that notwithstanding statements made to you, as outlined in the foregoing paragraph, the embargo on hides and skins in north China remains in force. Please emphasize the fact, as described in Tientsin's telegram under reference, that it has been approximately 1 month since the sudden imposition of the embargo and that the season for the timely arrival of the hides and skins from China is already so shortened as to endanger their market.

With reference to the explanation of the Japanese Government that it is military necessity which has prompted the imposition of the embargo and which may result in certain types of hides and skins being excepted from the order which may be issued lifting the embargo, please point out emphatically that in the opinion of the American Government the argument of military necessity cannot be applied in the case of the embargo on hides and skins in as much as there would appear to be no reason why if there were no embargo the Japanese military authorities might not enter the market and purchase the hides and skins which they require in open competition, and that the chief value of the embargo to the Japanese military authorities would seem to be that it will bring about a stifling of competition and a

<sup>54</sup> Telegram No. 141 not printed.



driving down of the price, thus enabling Japanese authorities to purchase their requirements at lower prices than would otherwise be the case; and that the embargo thus imposes a serious financial loss upon American dealers and consumers.

In conclusion you may say that the Foreign Minister's assurances in regard to the maintenance of equality of treatment in China have been complete and unqualified and that should the embargo be left either wholly or partially in effect the American Government could not but consider this action as inconsistent with the Foreign Minister's repeated assurances that equality of treatment in China will be maintained.

HULL

600.939/238 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, August 2, 1938—5 p. m.  
[Received August 5—11:10 a. m.]

507. Department's 265, July 30, 2 p. m.

1. We had prepared and were about to deliver this morning to the Foreign Office an *aide-mémoire* along the lines of the Department's telegram under reference when there was received from the Foreign Office a note dated August 1, as follows (translation) :

"By an order, dated June 28, 1938, of the Tientsin Customs authorities, the exportation of buffalo hides, cow hides, sheep, goat and lamb skins was prohibited. In regard to the above prohibitive order, the American Ambassador, on July 4, 1938, spoke to the Foreign Minister and requested repeal of the embargo. Further, in two *aide-mémoires* from the American Embassy, dated July 6 and July 16, 1938, it was urgently requested that the above embargo be abolished and that, as an immediate measure, it be repealed insofar as it affects those articles for which contracts have already been made.

Thereafter the Provisional Government as a result of consideration of the interests of foreign merchants, by an ordinance, dated July 16, 1938, and by the general [*later*] interpretations of the original ordinance, has removed the embargo as is shown hereafter. Accordingly, the embargo is removed on the greater part of the principal exports to foreign countries, and exports of about \$1,300,000, of the approximately \$1,500,000 (it was claimed that the amount was [\$]2,500,000 but of this \$1,000,000 has no connection with the embargo) loss claimed by the Tientsin Fur and Skin Exporting Association, can be exported. In this way the grievance of the exporting merchants concerning this matter should disappear naturally, and it is believed that results which should be completely satisfactory to the Government of the United States have been obtained.

Addendum. Articles on which the embargo has been repealed by the order of July 16.

The articles prohibited as [*by the*] ordinance of June 28, 1938, have been interpreted by the Tientsin Customs authorities to include the following: (1) hides and leather of buffalo and cow; (2) goat skins; (3) kidskins and kid plates; (4) lambskins and lamb plates; (5) sheep plates; (6) slink skins.

The embargo on articles covered by items numbers 2 and 3 of the above list has been removed by the ordinance of the provisional régime dated July 16, 1938. Further, the customs authorities are taking the view that the embargo has been removed on the following articles from among those covered by item number 4, lambskins and lamb plates, of the above list: (1) lamb plates (sewed patch of approximately 50 inches by 25 inches), (a) lambskin plates (selected); (2) lamb ear plates, (3) lamb head plates, (4) [lamb] leg plates."

2. The Customs order of July 16 mentioned in the Foreign Office note is apparently the order referred to in Tientsin's 129, July 18, 4 p. m.; 132, July 19, 2 p. m.; and 135, July 21, 1 p. m.,<sup>55</sup> but stated to be "not yet issued"; further the Customs notification reported in Tientsin's 145, July 30, 1 p. m., appears not to make exemptions from the embargo of certain kinds of lambskins and plates as set forth in addendum to the Foreign Office note.

3. We are withholding the *aide-mémoire* until we receive Tientsin's comment on the Foreign Office note especially on the statement that the embargo has been lifted on items representing approximately 85% in value of exports of hides and skins.

4. The Foreign Office stated in reply to an informal inquiry that it had received no report on the issuance of the Customs order of July 30 but that advance information from Tientsin was to the effect that lambskins and lamb plates (selected) which form the bulk of shipments to the United States were to be removed from the embargo.

Please repeat to Peiping.

GREW

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893.6363/176 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, August 5, 1938—4 p. m.

270. Reference your 478, July 21, 6 p. m. The Department has received information from the Standard-Vacuum Oil Company in regard to requirement of certificates from the Meng Chiang Petroleum Company for shipments of oil to certain areas of Inner Mongolia and in regard to certain reported difficulties of the Asiatic Petroleum Company in connection with shipments to those areas. It is assumed that the Yokohama representative of the Standard-Vacuum Oil Company has conveyed this information to you.

<sup>55</sup> None printed.

The Department suggests that you inquire of the Japanese Foreign Office when a reply may be expected to your representations of July 21.

HULL

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693.116/136 : Telegram

*The Secretary of State to the First Secretary of Embassy in China (Salisbury), at Peiping*

WASHINGTON, August 5, 1938—4 p. m.

216. Tientsin's 144, July 29, 4 p. m., and the Ambassador's 397, August 3, 4 p. m., commenting on your 485, August 3, noon,<sup>56</sup> in regard to embargo on wireless equipment at Tientsin and Tsingtao.

With regard to Tientsin's telegram, you may, if you consider the situation warrants such action, make appropriate representations to the Japanese Embassy.

Department concurs in the Ambassador's suggestion that the Tsingtao phase should be taken up at Shanghai. Please inform Shanghai.

HULL

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600.939/239 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, August 11, 1938—7 p. m.

281. Your 520, August 8, 3 p. m., via Tientsin.<sup>57</sup> In the light of Tientsin's 154, August 10, 3 p. m.,<sup>57</sup> the Department suggests that in your discretion you defer further action for a few days pending a clarification of the situation. If in your opinion action should then still be considered desirable, you may use your discretion with reference to the contents of the proposed *aide-mémoire*.

HULL

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893.6363/179 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, August 11, 1938—9 p. m.

[Received August 12—8 a. m.]

528. Department's 270, August 5, 4 p. m. In response to an inquiry when a reply could be expected to our representations of July 21 with regard to restrictions on shipments of oil to certain parts of Inner Mongolia, the Foreign Office stated today that an arrangement

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<sup>56</sup> Latter two telegrams not printed.

<sup>57</sup> Not printed.

had been entered into at Shanghai by which a representative of the Asiatic Petroleum Company would proceed to North China and look into the situation and that, as the situation had been created by irresponsible persons and without the approval of the Japanese authorities, it is proposed to withhold the reply to us until after the visit to North China of the representative of the Asiatic Petroleum Company.

Please repeat to Shanghai and Johnson.

GREW

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600.939/243 : Telegram

*The Consul General at Tientsin (Caldwell) to the Secretary of State*

TIENTSIN, August 15, 1938—noon.

[Received August 15—8 a. m.]

155. My 154, August 10, 3 p. m.<sup>58</sup> Commissioner of Customs has just informed me by telephone that Superintendent of Customs has received necessary authorization from Peiping and that embargo on lambskins and lamb plates with hair not exceeding 25mm. in length has been removed effective immediately.

Repeated to Peiping, Chungking, Tokyo.

CALDWELL

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600.939/247 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, August 16, 1938—noon.

[Received August 16—8 a. m.]

535. Department's 281, August 11, 7 p. m., via Peiping, hides and skins embargo. In view of the information given in Tientsin's 154, August 10, 3 p. m.,<sup>58</sup> and 155, August 15, noon, we propose to take no further action unless Tientsin finds that the modification of the embargo fails satisfactorily to alleviate the restriction on American exporters.

Please repeat to Tientsin.

GREW

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693.116/142 : Telegram

*The Consul General at Tientsin (Caldwell) to the Secretary of State*

TIENTSIN, August 18, 1938—1 p. m.

[Received 7:45 p. m.]

157. My telegram No. 144, July 29, 4 p. m. There has been no relaxation of radio embargo and North China Radio Importers Association

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<sup>58</sup> Not printed.

requests that further representations be made, particularly concerning wireless equipment already arrived at or en route to Tientsin, embargo on which is causing local dealers serious losses.

Total annual Tientsin imports of radio receivers and parts are estimated at over 1,000,000 Tientsin dollars, of which over 80 per cent are of American manufacture.

Repeated to Peiping, Chungking, Tokyo, Shanghai.

CALDWELL

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693.116/141 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, August 18, 1938—4 p. m.  
[Received August 18—7 a. m.]

505. Embassy's 495, August 9, 10 a. m.<sup>61</sup>

1. A member of the Japanese Embassy informed me this morning that (a) the embargo on wireless equipment is due to fear that such equipment might reach Chinese irregulars and be used by them against Japanese interests, (b) the Provisional Government will shortly issue regulations under which only radio sets capable of bearing local programs will be permitted entry, and (c) he thought that equitable provision would be made in regard to radio equipment already ordered.

2. The Consulate General at Tientsin has forwarded to the Embassy an unsatisfactory letter dated August 9 from the Superintendent of Tientsin Customs which gives no indication of early favorable action.

3. It is evident that no amelioration of the situation can be hoped for through representations made here.

Repeated to Chungking, Tientsin, and Tokyo.

SALISBURY

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893.5151/497 : Telegram

*The Secretary of State to the First Secretary of Embassy in China (Salisbury), at Peiping*

WASHINGTON, August 22, 1938—6 p. m.

222. Please repeat the following telegram to Chefoo and ask Chefoo to repeat to you its telegram of August 12, 1 p. m., to the Department.<sup>61</sup>

"Reference your telegrams of June 13, 10 a. m., and August 12, 1 p. m., and despatch No. 10 of June 24<sup>62</sup> in regard to the currency situation in the Chefoo consular district.

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<sup>61</sup> Not printed.

<sup>62</sup> None printed.

1. As 'Federal Reserve notes' are not the lawful currency of the recognized Government of China, every endeavor should be made to avoid any official action which might be construed as promoting the circulation of these notes.

2. Department of course realizes that circumstances may require the Consulate and the American business community at Chefoo to use 'Federal Reserve notes' in meeting necessary local expenses.

3. Please report by telegraph on the following matters: When and for what reason did the Yokohama Specie Bank in Chefoo cease foreign exchange operations? Is there no agency whatever in Chefoo willing to accept American currency in exchange for 'Federal Reserve notes'? Is it not possible for American merchants in Chefoo to evolve some method of meeting their currency requirements as for example by negotiating at Tientsin for exchange of American currency for valid Chinese currency or 'Federal Reserve notes'?"

HULL

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693.116/142 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, August 23, 1938—6 p. m.

295. Peiping's 505, August 18, 4 p. m., and Tientsin's 157, August 18, 1 p. m., in regard to embargo on wireless equipment at Tientsin. Department desires that you make appropriate representations to the Japanese Foreign Office in regard to this matter. Following the general lines of your recent approach in the matter of the embargo on hides and skins, you may point out that the embargo on importation of wireless equipment is an unwarranted restriction on American trade interests which are the principal suppliers of such equipment; and that the holding up of equipment ordered before the embargo was imposed is causing American dealers substantial losses.

Department desires that you request that steps be taken to have the embargo removed and that special action be taken promptly to relieve the importers in respect to equipment ordered prior to the embargo.<sup>63</sup>

Peiping please repeat to Chungking and Tientsin.

HULL

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893.6363/179 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, August 26, 1938—4 p. m.

300. Your 528, August 11, 9 p. m., and Ambassador Johnson's 406 [409], August 18, 11 a. m.,<sup>64</sup> in regard to the Meng Chiang oil monop-

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<sup>63</sup> In telegram No. 558, August 26, 4 p. m., the Ambassador in Japan informed the Department that oral representations, supported by an *aide-memoire*, were presented to the Japanese Foreign Office that same day (693.116/144).

<sup>64</sup> Latter not printed.

oly. In view of information from the Standard-Vacuum Oil Company to the effect that the visit of oil company representatives to north China was ineffectual and in view of reports that progressive steps are being taken to institute an exclusive monopoly control of oil marketing in the Meng Chiang area (and possibly in north China), the Department is desirous that further representations be made to the Japanese Government.

It is suggested that you consult with your British and Dutch colleagues and with the representatives of the concerned oil companies with the object of devising a line of approach by you and your interested colleagues, along parallel lines, best calculated to influence the Japanese Government to bring about a modification of the monopolistic scheme under reference and to obtain due respect for the legitimate interests of the foreign oil companies.

The Department will appreciate being informed in advance with regard to the character of representations which you propose making.

Shanghai to repeat to Chungking and Peiping.

HULL

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893.5151/501 : Telegram

*The Consul at Chefoo (Roberts) to the Secretary of State*

CHEFOO, August 26, 1938—4 p. m.

[Received August 27—3 a. m.]

Referring to Department's telegram No. 222, August 22, 6 p. m., repeated by the Embassy at Peiping.

1. Yokohama Specie Bank after Japanese occupation reopened Chefoo agency for general business including exchange operations July 1st. This bank will buy dollar exchange only at rate of 29 American cents for one Federal Reserve dollar, whereas the rate for Chinese dollars is about 18 American cents. The American business community cannot afford to negotiate dollar exchange to the Yokohama Specie Bank at this arbitrary rate.

2. There is no other Chefoo agency willing to accept American currency in exchange for Federal Reserve notes.

3. The Hong Kong and Shanghai Banking Corporation is the only other agency handling foreign exchange. This bank pays out Chinese national currency composed of a mixture of Shanghai notes and Northern Bank notes which circulate in Chefoo with increasing difficulty due to the restrictions imposed by the Japanese and the provisional Government authorities.

4. Local merchants requiring Federal Reserve notes for payment of import duties, postage, telegraphic charges have been able to buy small quantities in open market paying premium in Chinese national currency.

5. The Consulate in Chefoo and certain American merchants have been able to negotiate bills of exchange at Tientsin for currency that can be used at Chefoo but transportation difficulties and restrictions may block this method at any moment.

6. Repeated to Peiping and Chungking.

ROBERTS

693.116/146 : Telegram

*The Secretary of State to the First Secretary of Embassy in China  
(Salisbury), at Peiping*

WASHINGTON, September 2, 1938—4 p. m.

233. The following is for your action and transmission to Tokyo :

"Tientsin's 162, August 31, 2 p. m.,<sup>65</sup> in regard to prohibition of importation of radio equipment. It would appear from this telegram: (1) that, despite the reported modification of the embargo, the remaining restrictions and the wave length specifications (which in effect bar American long wave sets while admitting Japanese) amount to a continued complete embargo on all American radio equipment; (2) that concessions of practical benefit to American interests have thus far been confined to issuance, to two of the eight American importers concerned, of import permits covering radio equipment ordered prior to imposition of the embargo.

The Department accordingly desires that you inform the Foreign Office of the situation described in Tientsin's telegram under reference and renew your request for removal of the restrictions on importation of American equipment and for prompt alleviation of the predicament of American importers in respect to equipment ordered before embargo was imposed.

Peiping is requested to supplement your action by appropriate representations to the Japanese Embassy."<sup>66</sup>

Please repeat to Chungking, Tientsin, and Shanghai.

HULL

693.116/149 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, September 9, 1938—2 p. m.  
[Received September 10—7 a. m.]

592. Our 558, August 26, 4 p. m. via Peiping,<sup>65</sup> restrictions on radio equipment at Tientsin. We have today received a memorandum from

<sup>65</sup> Not printed.

<sup>66</sup> In telegram No. 546, September 7, 5 p. m., the Embassy in China at Peiping reported to the Department that representations were made that day in Tokyo and Peiping (693.116/147).



the Foreign Office dated September 5 in reply to our *aide-mémoire* of August 26 reading in translation as follows:

“A summary of the reports from China in regard to this embargo indicates that both radio and wireless equipment have even heretofore been articles the importation of which has been restricted, and for such importation it has been necessary to obtain a permit issued by the Department of Communications; that although the Provisional Government at Peiping has recently adopted a policy of a formal embargo on only ‘all wave’ sets, this embargo is applied to the products of all countries alike including Japanese, and there is absolutely no discriminatory treatment there; that this embargo is enforced because of its necessity from the standpoint of the maintenance of peace and order; that it is considered to be unavoidable emergency action in connection with the present incident.

This embargo as is noted above is limited to ‘all wave’ apparatus and long wave receivers may, as formerly, be imported. It is further reported that permits for the importation of such apparatus are easily obtained.

Finally, concerning apparatus which was ordered prior to the enforcement of this embargo, while it cannot, at the present time, be stated whether or not the authorities concerned of the Provisional Government will be able to give special consideration to this problem, it is at the present time being studied by the authorities in China.”

GREW

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893.6363/194 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, September 14, 1938—noon.

[Received September 14—11:30 a. m.]

599. Our 574, September 3, 3 p. m.<sup>69</sup> We are informed by the local representative of Standard Vacuum that Ikeda, Minister of Finance and concurrently of Commerce and Industry, assured him that no oil monopoly would be established in “North China” but appeared deliberately to avoid making any statement with regard to Mengchiang. Ikeda further affirmed that the projected North China Oil Company will not be formed.

Sent to Chungking. By mail to Tientsin.

GREW

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693.116/152 : Telegram

*The Consul General at Tientsin (Caldwell) to the Secretary of State*

TIENTSIN, September 14, 1938—3 p. m.

[Received 4:50 p. m.]

178. Peiping's 556, September 12, 3 p. m.<sup>69</sup> A communication from the Superintendent of Customs dated September 13th states that au-

<sup>69</sup> Not printed.

thorization has been received from Ministry of Administrative Affairs in Peiping to permit the importation of wireless equipment ordered before imposition of the embargo and covered by applications already filed with the Superintendent, with the exception of certain shipments of American equipment which require further investigation.

The communication adds that all subsequent applications are to be rejected. This affects official importer of Zenith radios who has made application through this office for import permit only yesterday and whose case is being taken up with the Superintendent. It is presumed that this does not apply to radio receivers operating between 550 and 1500 Kc.

Repeated to Chungking, Peiping, Shanghai, Tokyo.

CALDWELL

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893.61331/110 : Telegram

*The Consul at Tsingtao (Sokolobin) to the Secretary of State*

TSINGTAO, September 16, 1938—4 p. m.

[Received 8:30 p. m.]

1. The Japanese special agent of the army mission in Tsingtao with which the American firm Universal Leaf Tobacco Company of China, Federal Incorporated, Universal [*U. S. A.*], has been negotiating for permission to purchase leaf tobacco at stations in the interior along the railway between Tsingtao and Tsinanfu has informed the company as follows:

“Referring to your letter dated September 2, requesting permission to purchase leaf tobacco in the zone of military operations, we hereby inform you that no matter on what scale you may purchase we cannot grant permission unless you purchase product [on] same conditions as the Yee Tsoong Tobacco Company.”

2. The conditions referred to relate to the agreement mentioned in the Consulate's telegram April 20, 9 a. m.<sup>70</sup> whereby the British firm undertook to purchase yen at the official rate of exchange.

3. In an interview with Japanese Consul General, I pointed out that the American Company did not export Shantung leaf tobacco except in small quantities; that practically all its leaf tobacco was sold in China or Manchuria to British, Japanese, and Chinese firms and that its position in leaf tobacco trade in China was certainly no different from its Japanese, Chinese and British competitors engaged in purchasing leaf tobacco at stations along the same railway. The Japanese firms in fact are exporting to Japan. The Consul General was adamant in his refusal to give any facilities or permission to

<sup>70</sup> Not printed.

the American firm to operate in the interior and he insisted that the firm would be required to purchase exchange before it would be permitted to do business up country.

4. The British Company mentioned above will commence buying in interior Monday; Japanese firms are and have been operating for months, as have Chinese dealers. While the British firm in which there is considerable American capital has been required to purchase yen, neither the Japanese nor Chinese companies have been forced to do so. The above named American company is being discriminated against so far as Chinese and Japanese companies are concerned and it is suggested that the Embassy at Tokyo be instructed to bring this interference with American trade and discrimination against an American company to the attention of the Japanese Foreign Office.

Sent to Peiping, paraphrase by mail to Tokyo and Chungking.

SOKOBIN

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893.6363/196 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, September 21, 1938—11 a. m.

[Received September 21—1 a. m.]

612. Our 599, September 14, noon. In recent conversation with the British Commercial Secretary, the Director of Commercial Affairs in the Foreign Office<sup>71</sup> said that the chief difficulty in avoiding the establishment of an oil monopoly in Mengchiang is that the Japanese authorities in that area are not under the control of General Terauchi and the Japanese forces in North China, but are responsible to the Kwantung army. The independent attitude of the latter is well known and the implication is obvious that the Government in Tokyo finds difficulty in controlling its actions.

The British Embassy believes that Matsushima is doing his best to stave off the monopoly and therefore thinks it unwise to press the Foreign Office too hard at present, although the Ambassador contemplates a further protest in due course unless favorable results develop. This explains the comparatively mild tone and substance of the British memorandum of September 7, a copy of which was transmitted to the Department with our despatch 3237, September 14.<sup>72</sup> No repetition.

GREW

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<sup>71</sup> Shikao Matsushima.

<sup>72</sup> Neither printed.

893.61331/110 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, September 22, 1938—8 p. m.

332. Tsingtao's September 16, 4 p. m., Universal Leaf Tobacco Company. The Department desires that you bring this case to the attention of the Japanese Foreign Office in such manner as you deem appropriate, pointing out on the basis of the facts as presented in Tsingtao's telegram under reference that the Japanese refusal to allow the Company to purchase leaf tobacco constitutes discrimination against American interests incompatible with the repeated Japanese assurances in regard to the open door and equality of opportunity.

Peiping please repeat to Tsingtao.

HULL

893.61331/113 : Telegram

*The Secretary of State to the First Secretary of Embassy in China (Salisbury), at Peiping*

WASHINGTON, September 29, 1938—3 p. m.

270. Your 589, September 28, 4 p. m.,<sup>73</sup> Universal Leaf Tobacco Company. You are authorized, in accordance with the request of the company, to make an approach to the Japanese Embassy in Peiping along the lines of the Department's 332, September 22, 8 p. m., to Tokyo, provided you and the Ambassador feel that such an approach might serve some useful purpose.

Inform Tokyo and Tsingtao of any action taken.

HULL

893.6363/198 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

Tokyo, September 29, 1938—7 p. m.

[Received September 30—8:20 a. m.]

634. Our 574, September 3, 3 p. m.,<sup>73</sup> and previous on Mengchiang oil monopoly.

1. The Foreign Office informed us today that we would shortly be notified officially that recently (apparently on September 24) Mengchiang Confederation Committee ordinance number 13 of July 5, setting up the projected petroleum monopoly, was canceled.

<sup>73</sup> Not printed.

2. The Foreign Office stated informally and in confidence that the monopoly was set up on the basis of assurances from interested Japanese businessmen that the foreign oil companies would willingly participate in the Mengchiang Petroleum Company and supply that concern with kerosene and gasoline; that the visit to North China of Powell of the Asiatic Petroleum Company and subsequent clarification of attitude of non-participation by the foreign companies had exposed the conspiracy on the part of interested Japanese; and that steps were then taken to have the organic monopoly ordinance abolished.

Repeated to Chungking, Tientsin and Shanghai.

GREW

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693.001/352a : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, October 1, 1938—2 p. m.

339. 1. There is given below the text of a note which the Department authorizes you in your discretion to present to the Japanese Foreign Office. In our opinion early presentation of the note would be desirable. However, before presenting the note, please go over the text carefully with a view to making such changes or additions as in your judgment would be helpful. You are authorized to use your discretion as to whether the Department should be consulted in reference to any such changes or additions. The text of the note follows:

“The Government of the United States has had frequent occasion to make representations to Your Excellency’s Government in regard to action taken and policies carried out in China under Japanese authority to which the Government of the United States takes exception as being, in its opinion, in contravention of the principle and the condition of equality of opportunity or the ‘Open Door’ in China. In response to these representations, and in other connections, both public and private, the Japanese Government has given categorical assurances that equality of opportunity or the Open Door in China will be maintained. The Government of the United States is constrained to observe, however, that notwithstanding the assurances of the Japanese Government in this regard violations by Japanese agencies of American rights and interests have persisted.

It is recalled that at the time of the Japanese military occupation of Manchuria the Japanese Government gave assurances that the Open Door in Manchuria would be maintained. Notwithstanding those assurances there was established in Manchuria with Japanese military impulsion, and there is maintained in Manchuria today with Japanese military support, a régime which has progressively established Japanese trade and enterprise in a preferred position. The principal economic activities in that area have been taken over by special companies which are controlled by Japanese nationals and which are established under special charters according them a preferred or exclusive position. A large part of American enterprise

which formerly operated in Manchuria has been forced to withdraw from that territory as a result of the preferences in force there. The arrangements between Japan and the régime now functioning in Manchuria allow the free movement of goods and funds between Manchuria and Japan while restricting rigidly the movement of goods and funds between Manchuria and countries other than Japan.

This channeling of the movement of goods is effected primarily by means of exchange control, exercised under the authority of regulations, issued under an enabling law, which provide expressly that for the purposes of the law Japan shall not be considered a foreign country nor the Japanese yen a foreign currency. In the opinion of my Government, equality of opportunity or the Open Door has virtually ceased to exist in Manchuria, notwithstanding the assurances of the Japanese Government that it would be maintained in that area.

The Government of the United States is now apprehensive lest there develop in other areas of China which have been occupied by Japanese military forces since the beginning of the present hostilities a situation similar in its adverse effect upon the competitive position of American business to that which now exists in Manchuria.

On April 12, 1938, I had occasion to invite the attention of the Minister for Foreign Affairs to reports which had reached the Government of the United States indicating that discrimination in favor of Japanese trade with north China was likely to be effected by means of exchange control and to ask for assurances that the Japanese Government would not support or countenance financial measures discriminatory against American interests. Although the Minister for Foreign Affairs stated then that the Japanese Government would continue to support the principle of equal opportunity or the Open Door in China,<sup>74</sup> no specific reply has yet been made by the Japanese Government on the subject of these representations.

The Government of the United States now learns that the Japanese authorities at Tsingtao have in effect established an exchange control, that they are exercising a discretionary authority to prohibit exports unless export bills are sold to the Yokohama Specie Bank, and that the Bank refuses to purchase export bills except at an arbitrary rate far lower than the open market rate prevailing at Tientsin and Shanghai. A somewhat similar situation apparently prevails at Chefoo. Furthermore, reports continue to reach the American Government that a comprehensive system of exchange control will soon be established throughout north China.

Control of foreign exchange transactions gives control of trade and commercial enterprise, and the exercise, either directly or indirectly, by the Japanese authorities of control of exchange in north China would place those authorities in position to thwart equality of opportunity or free competition between Japan and the United States in that area. In such a situation, imports from and exports to the United States, as well as the choice of dealers in north China, would be entirely subjected to the dispensation of the Japanese authorities. Notwithstanding the short time that exchange control has been enforced in Tsingtao, two cases of discrimination have already

<sup>74</sup> See memorandum by the Ambassador in Japan, April 12, 1938, *Foreign Relations, Japan, 1931-1941*, vol. 1, p. 762.

been brought to the attention of the Government of the United States. In one instance an American dealer in a staple commodity has been unable to export to the United States because Japanese authorities there have insisted that his export bills be sold to a Japanese bank at a rate so far below the current rate of exchange of the Chinese currency in the open market that such transactions would involve a loss rather than a profit; but a Japanese competitor recently completed a large shipment invoiced at a price in United States dollars which was equivalent to the local market price calculated at the current open market rate. In the other instance an American firm was prevented from purchasing tobacco in Shantung unless it should purchase so-called Federal Reserve notes or yen currency with foreign exchange and at an arbitrary and low rate of exchange, conditions not imposed upon the company's Japanese or Chinese competitors.

The Government of the United States has already pointed out to the Japanese Government that alterations of the Chinese customs tariff by the régimes functioning in those portions of China occupied by Japanese armed forces and for which the Japanese Government has formally assured its support are arbitrary and illegal assumptions of authority for which the Japanese Government has an inescapable responsibility. It is hardly necessary to add that there can be no equality of opportunity or Open Door in China so long as the ultimate authority to regulate, tax, or prohibit trade is exercised, whether directly or indirectly, by the authorities of one 'foreign' power in furtherance of the interests of that power.

It would appear to be self-evident that a fundamental prerequisite of a condition of equality of opportunity or Open Door in China is the absence in the economic life of that country of preferences or monopolistic rights operating directly or indirectly in favor of any foreign country or its nationals. On July 4 I spoke to the Minister for Foreign Affairs of the desire of the American Government that there be avoided such restrictions and obstacles to American trade and other enterprises as might result from the setting up of special companies and monopolies in China. The Minister was so good as to state that the Open Door in China would be maintained and that the Government of the United States might rest assured that the Japanese Government would fully respect the principle of equal opportunity.<sup>75</sup>

Notwithstanding these assurances, the provisional régime in Peiping announced on July 30 the inauguration as of the following day of the China Telephone and Telegraph Company, the reported purpose of this organization being to control and to have exclusive operation of telephone and telegraph communications in north China. There was organized in Shanghai on July 31 the Central China Telecommunications Company,<sup>76</sup> and the Special Service Section of the Japanese Army has formally notified foreign cable and telegraph companies that the new company proposes to control all telecommunications in central China. According to a semiofficial Japanese press report, there was organized at Shanghai on July 28 the Shanghai Inland Navigation Steamship Company, to be con-

<sup>75</sup> See *Foreign Relations, Japan, 1931-1941*, vol. I, pp. 605, 606, 614.

<sup>76</sup> See telegram No. 1074, August 6, 6 p. m., from the Consul General at Shanghai, p. 432.

trolled by Japanese, the reported object of which is to control water transportation in the Shanghai delta area. According to information which has reached my Government, a Japanese company has been organized to take over and operate the wharves at Tsingtao which have hitherto been publicly owned and operated. Should such a development occur, all shipping of whatever nationality would become dependent upon a Japanese agency for allotments of space and stevedoring facilities. The wool trade in north China is now reported to be a Japanese monopoly; and a tobacco monopoly in that area is reported to be in process of formation. Moreover, according to numerous reports which have been reaching my Government, the Japanese Government is proceeding with the organization of two special promotion companies which it has chartered and which it will control with the object of investing in, unifying and regulating the administration of certain large sectors of economic enterprise in China.

The developments of which I have made mention are illustrative of the apparent trend of Japanese policy in China and indicate clearly that the Japanese authorities are seeking to establish in areas which have come under Japanese military occupation general preferences for and superiority of Japanese interests an inevitable effect of which will be to frustrate the practical application of the principle of the Open Door and deprive American nationals of equal opportunity.

I desire also to call Your Excellency's attention to the fact that unwarranted restrictions placed by the Japanese military authorities upon American nationals in China—notwithstanding the existence of American treaty rights in China and the repeated assurances of the Japanese Government that steps had been taken which would ensure that American nationals, interests and property would not be subject to unlawful interference by Japanese authorities—further subject American interests to continuing serious inconvenience and hardship. Reference is made especially to the restrictions placed by the Japanese military upon American nationals who desire to reenter and reoccupy properties from which they have been driven by the hostilities and of which the Japanese military have been or still are in occupation. Mention may also be made of the Japanese censorship of and interference with American mail and telegrams at Shanghai, and of restrictions upon freedom of trade, residence and travel by Americans, including the use of railways, shipping, and other facilities. While Japanese merchant vessels are carrying Japanese merchandise between Shanghai and Nanking, those vessels decline to carry merchandise of other countries, and American and other non-Japanese shipping is excluded from the lower Yangtze on the grounds of military necessity.<sup>77</sup> Applications by American nationals for passes which would allow them to return to certain areas in the lower Yangtze Valley have been denied by the Japanese authorities on the ground that peace and order have not been sufficiently restored, although many Japanese merchants and their families are known to be in those areas.

American nationals and their interests have suffered serious losses in the Far East arising from causes directly attributable to the present conflict between Japan and China, and even under the most favorable

<sup>77</sup> See also pp. 143-209, *passim*.



conditions an early rehabilitation of American enterprise in China and of American trade with China cannot be expected. The American Government therefore finds it all the more difficult to reconcile itself to a situation in which American nationals must contend with continuing unwarranted interference with their rights at the hands of the Japanese authorities in China and with Japanese actions and policies which operate to deprive American trade and enterprise of equality of opportunity in China. It is also pertinent to mention that in Japan, too, American trade and other interests are undergoing severe hardships as a result of the industrial, trade, exchange and other controls which the Japanese Government has imposed incident to its military operations in China.

While American interests in the Far East have been thus treated at the hands of Japanese authorities, the Government of the United States has not sought either in its own territory or in the territory of third countries to establish or influence the establishment of embargoes, import prohibitions, exchange controls, preferential restrictions, monopolies or special companies—designed to eliminate or having the effect of eliminating Japanese trade and enterprise. In its treatment of Japanese nationals and their trade and enterprise the American Government has been guided not only by the letter and spirit of the Japanese-American Commercial Treaty of 1911<sup>79</sup> but by those fundamental principles of international law and order which have formed the basis of its policy in regard to all peoples and their interests; and Japanese commerce and enterprise have continued to enjoy in the United States equality of opportunity.

Your Excellency cannot fail to recognize the existence of a great and growing disparity between the treatment accorded American nationals and their trade and enterprise by Japanese authorities in China and Japan, and the treatment accorded Japanese nationals and their trade and enterprise by the Government of the United States in areas within its jurisdiction.

In the light of the situation herein reviewed, the Government of the United States asks that the Japanese Government implement its assurances already given with regard to the maintenance of the Open Door and to noninterference with American rights by taking prompt and effective measures to cause (1) the discontinuance of discriminatory exchange control and of other measures imposed in areas in China under Japanese control which operate either directly or indirectly to discriminate against American trade and enterprise; (2) the discontinuance of any monopoly or of any preference which would deprive American nationals of the right of undertaking any legitimate trade or industry in China, or of any arrangement which might purport to establish in favor of Japanese interests any general superiority of rights with regard to commercial or economic development in any region of China; and (3) the discontinuance of interference by Japanese authorities in China with American property and other rights including such forms of interference as censorship of American mail and telegrams, and restrictions upon residence and travel by Americans and upon American trade and shipping.

The Government of the United States believes that in the interest of relations between the United States and Japan an early reply would be helpful."

<sup>79</sup> *Foreign Relations*, 1911, p. 315.

2. The Department authorizes you in your discretion to inform your British colleague of the contents of the foregoing note.

HULL

893.6363/199 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, October 3, 1938—1 p. m.

[Received 2:20 p. m.]

639. Our 574, September 3, 3 p. m.<sup>80</sup> and 634, September 29, 7 p. m.—Mengchiang oil monopoly. The following note in translation has been received from the Foreign Office:

["]Number 29/Asia 1, Ministry of Foreign Affairs, September 29, 1938. Excellency: I have the honor to inform Your Excellency that I have carefully perused the statements concerning the control of the distribution of oil products from Inner Mongolia area made during our conversation on July 21, 1938, as well as those contained in Your Excellency's note No. 1035, September 6, 1938.<sup>80</sup>

I have recently received a report from the Department of Agriculture at Kalgan to the effect that in regard to the transportation and sale of oil products in the Inner Mongolia area the Inner Mongolia Area Committee has already, on September 24, 1938, abolished the order which had been promulgated for the control of the distribution of oil products in the Inner Mongolian area.

I am informed that by the above disposition of this matter, oil companies of Your Excellency's country may, as heretofore, freely distribute oil products; and I therefore believe that apprehensions of Your Excellency's Government concerning the establishment of a monopoly in that area should be entirely dispelled.

I am further informed that this action on the part of Inner Mongolia was taken solely from the broad viewpoint of consideration for the interests of the oil companies of Your Excellency's country and of a desire to obtain their cooperation in the distribution of oil.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration. Kazushige Ugaki (seal) Minister of Foreign Affairs. His Excellency Joseph Clark Grew, Ambassador Extraordinary and Plenipotentiary of the United States of America, Tokyo."

GREW

693.001/353 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, October 3, 1938—4 p. m.

[Received October 3—10:40 a. m.]

640. Department's 339, October 1, 2 p. m. Open Door in China.

1. The Department's telegram came at a favorable moment. The

<sup>80</sup> Not printed.

Prime Minister <sup>81</sup> is momentarily functioning as Minister for Foreign Affairs but will probably hold that office briefly. It seems to me an unusual opportunity to present to him the request of the President and the full desiderata of the United States without going over the head of any Minister, an opportunity which rarely occurs. Furthermore, although he is not yet receiving diplomats, I was fortunately able to obtain an appointment with Prince Konoye at his private residence without publicity just before he went to the Palace for an audience with the Emperor at which there is every likelihood that the new "China Organ" will be discussed. I consider this a favorable development.

2. Prince Konoye listened to my full oral representations which I said would be embodied in a note to be delivered shortly to the Foreign Office. I briefly covered the principal points in the Department's telegram in the half hour at my disposal leaving with the Minister an informal record of my oral remarks <sup>82</sup> for the sake of accuracy.

3. At the end of my presentation Prince Konoye said that he was honored by the message from the President. He said that in spite of the change of Foreign Ministers there will be no change in Japan's policy towards affairs in China or towards other foreign nations. The assurances already given us concerning the Open Door and equal opportunity in China will be steadfastly maintained. The military situation in China may cause delay in meeting all of our desiderata but he gave explicit assurances that this delay will be but temporary. He said that he wished and intended to continue to do everything in his power to improve relations between the United States and Japan as he had in the past. He highly valued these relations. He added that he was not familiar with many of the points which I had raised but would study them.

4. At the end of the Minister's remarks I pointed out that many or most of the conditions of which we complained had no direct relation whatever to the military campaign. The Minister replied that the new "China Organ", now in process of establishment, is being formed for the purpose of dealing with just such questions and he felt sure that once functioning it would be able to smooth out these difficulties by the exertion of direct control by the authorities in Tokyo over the Japanese authorities in China. He repeated his firm desire for improved relations with the United States.

5. With regard to the text of the note to be delivered to the Foreign Office specifying and elaborating the points orally presented to Prince Konoye today, we are of the opinion that the chances of these representations producing constructive and beneficial results would be

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<sup>81</sup> Prince Fumimaro Konoye.

<sup>82</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 782.

enhanced if the references to events in Manchuria (second paragraph) were left out. It seems quite clear to us that these references are intended to be illustrative of what may be expected with reason to occur in China proper; nevertheless, the fact that the League of Nations has just invoked against Japan the sanction clause of the Covenant<sup>83</sup> would make the present a highly inopportune time to open the way for renewed controversy over "Manchukuo". It seems to us that to provide an occasion for such controversy would remove all disposition on the part of the Japanese Government to respond favorably to the desire of the President that it take prompt and effective measures to implement its assurances with regard to the Open Door and noninterference with American rights. However, if the Department cannot see its way clear to the omission of the second paragraph of the draft note, we recommend that there be inserted at the head of that paragraph a phrase which will indicate the illustrative purpose of the references to Manchuria.

6. With this exception we see no reason to alter the proposed text of the note in any way.

7. Please inform me whether the Department desires to give early publicity to the note when presented and whether I may communicate such information to the Foreign Office.

GREW

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893.5151/511 : Telegram

*The Consul at Chefoo (Roberts) to the Secretary of State*

CHEFOO, October 4, 1938—4 p. m.

[Received 5:15 p. m.]

Referring to my telegram of August 26, 4 p. m., regarding currency situation:

1. The Federal Reserve Bank at Chefoo is withdrawing Chinese national currency from circulation as quickly as possible, creating shortage of currency (old currency).

2. The Hong Kong [and] Shanghai Banking Corporation unable to import fresh supplies of Chinese national currency is refusing to purchase bills of exchange covering exports and to fix forward exchange contracts. This measure has been taken to conserve existing stock of bank notes for its depositors. As the Yokohama Specie Bank still adheres to its policy of dealing only in Federal Reserve bank notes at the arbitrary rate of 29 American cents for one dollar Federal Reserve Bank currency, the action of the British Bank increases difficulties of exporters shipping to the United States.

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<sup>83</sup> See telegram No. 259, September 30, 11 p. m., from the Consul at Geneva, vol. III, p. 517.

3. Federal Reserve bank notes are not accepted in interior of Shantung where export products originate.
4. Repeated to Peiping, Chungking.

ROBERTS

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693.001/353 Suppl. : Telegram

*The Acting Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, October 5, 1938—11 a. m.

342. Your 640, October 3, 4 p. m.

1. With reference to the suggestions contained in your numbered paragraph 5 in regard to the statements relating to Manchuria, these statements as you have perceived are intended to be illustrative. The Department feels that their omission would materially weaken the presentation of the case, and suggests (a) that you introduce the second paragraph of the text of the draft note with some such phrase as follows "As having by way of illustration a bearing upon the situation to which the Government of the United States desires to invite the attention of the Japanese Government,"; (b) that you delete from the first sentence of the second paragraph the word "military"; and (c) that you delete the entire second sentence of the second paragraph and begin the next sentence with the word "however,". Also, you may make such further revision of this portion of the note as you consider desirable. If, however, you feel strongly that it would be advisable to omit entirely the statements in regard to Manchuria, the Department authorizes you to do so.

2. Your telegram No. 640 refers to the President three times. As the Department's 339, October 1, 2 p. m., as despatched contains no mention of the President, the Department assumes that its telegram No. 339 was received by you in garbled form. The Department would naturally be reluctant to impair any advantages which may have accrued from your oral presentation. The President has been consulted and ratifies the use which you made of his name. In the light of all the circumstances the Department desires to have your opinion whether, in view of your conversation with Prince Konoye, the note could appropriately be presented to the Foreign Office in the language drafted by the Department without there being included any reference to the President and without there being offered any explanation of possible discrepancies between what you said to Prince Konoye and the phraseology used in the note as telegraphed by the Department. In case you should feel that this suggested procedure would not adequately meet this phase of the situation, please give the Department the benefit of your suggestions.

3. The Department desires to hold in abeyance for the time being the question of giving publicity to the note.

WELLES

893.61331/114 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, October 5, 1938—3 p. m.

[Received 3:20 p. m.]

604. In Tsingtao's despatch No. 379 [369] of September 19, copies of which went to Department,<sup>84</sup> Tokyo, Chungking and Shanghai, in regard to proposed Shantung Leaf Tobacco monopoly, reference is made to the Department's telegraphic instruction No. 153, June 15, 3 p. m., to Peiping,<sup>85</sup> with statement that

"It is reported that a firm will shortly be established at Tsingtao for the purpose of monopolizing the trade in Shantung leaf tobacco, of which about 115,000,000 pounds were grown in this province from American seed in 1937, largely under the auspices of the Yee Tsoong Tobacco Company Limited (a subsidiary of the British-American Tobacco Company), a British firm with a large percentage of American capital and employing Americans exclusively in its leaf department."

The despatch continues :

"Aside from the adverse effects upon the activities of the British company referred to above in which there is considerable American interest, the local business of the American firm, the Universal Leaf Tobacco Company, Federal Incorporated, United States of America, would be destroyed by such a monopoly. The Universal Leaf Tobacco Company, Federal Incorporated, United States of America, is a large purchaser of Shantung leaf tobacco and, in addition to three buying stations and warehouses along the Tsingtao-Tsinanfu Railway, operates a large tobacco leaf redrying plant in Tsingtao."

(See also Tsingtao's September 16, 4 p. m. and Department's 332, September 22, 8 p. m. to Tokyo regarding Universal Leaf Tobacco Company.)

Does the Department desire that I bring orally to the attention of the Japanese Embassy the effect of the proposed monopoly on the Universal Leaf Tobacco Company, leaving a memorandum on the subject?

Repeated to the Ambassador, by mail to Tsingtao, Tokyo and Shanghai.

SALISBURY

<sup>84</sup> Not printed.

<sup>85</sup> *Post*, p. 356.

893.61331/115: Telegram

*The Consul at Tsingtao (Sokobin) to the Secretary of State*

TSINGTAO, October 6, 1938—9 a. m.

[Received October 6—8 a. m.]

Universal Leaf Tobacco Company case. In an interview with Japanese Consul General on Tuesday he indicated disposition to give company permission to purchase tobacco in the interior on three provisions, (1) company to use Federal Reserve currency, (2) company not to sell its tobacco to Yee Tsoong Company which has agreed to comply with Japanese requirement for purchase stipulated amount of yen at official rate, (3) not to stir up tobacco market and raise prices which might prevent Japanese buyers from operating because of high prices. Decision of Japanese authorities will be known in a few days.

Repeated to Chungking, by mail to Tokyo.

SOKOBIN

693.116/156: Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, October 6, 1938—6 p. m.

[Received 7:20 p. m.]

606. Embassy's 570, September 19, 5 p. m.<sup>86</sup>

1. A secretary of the Japanese Embassy called this afternoon and read the following statement:

"(a) The Japanese and Chinese authorities will purchase 50 American radio sets already imported in order to lessen the danger to American importers in Tientsin.

(b) Except for these 50 sets, the authorities are unable to allow importation of all wave sets unless changed into long wave. Officials will examine in the custom house whether the change has been made. The Chinese and Japanese authorities have no objection to acceptance of the American proposal to extend the wave length of long wave sets which may be imported from 550 to 1500 kilocycles to 540 to 1750 kilocycles.

(c) Importation of parts will be permitted if importers have no objection to offer written assurances that they will not be used for altering the character of sets and will not be used for assembling sets and if reports in this regard will be made by importers.

Chinese and Japanese authorities have been obliged to make such restrictions in order to maintain peace and order and to check activities of spies. (Before the present incident happened the Chinese Government allowed importation of radio sets only when official permission was obtained and therefore theoretically there would have been no necessity for the present circumstances to make the proclamation of July 14 but they made it in order to make the situation clear.)"

<sup>86</sup> Not printed.

Subsequently the secretary stated that, prior to the incident, Japanese importers faced many difficulties in obtaining import duty permits from the Chinese Government.

2. I informed the secretary that the concessions in regard to long wave sets would seem to be satisfactory to American importers but that the requirement that all wave sets be altered to long wave sets would cause the importers heavy loss because such alterations would seriously affect the value and marketability of those sets.

3. The Department's instructions are requested.<sup>87</sup>

Repeated to Chungking, Shanghai, Tokyo and Tientsin.

SALISBURY

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693.001/355 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, October 6, 1938—8 p. m.  
[Received October 6—10:34 a. m.]

648. Department's 342, October 5, 11 a. m.

1. I sincerely regret any possible embarrassment that may have been caused to the President or the Department as a result of the garbled telegram and highly appreciate the President's ratification of the action taken here. I feel that the serious circumstances set forth in the Department's telegram fully justified a direct message from the President. I gathered from my talk with the Prime Minister that he had little if any conception of the circumstances which led to our complaints and I believe that the opportunity to bring these circumstances directly to his attention, especially with the great weight attached to a message from the President, was wholly fortunate. The fact that the Prime Minister has called for reports from the Foreign Office on every point raised in our conversation indicates something more than bureaucratic formality.

2. I see no reason why any reference to the President need be included in the text of our note to be presented to the Foreign Office in the language drafted by the Department or any explanation of its omission and I suggest that the term "Government of the United States" be substituted for "the President".

3. I concur in the Department's proposals in regard to the statements in the draft note relating to Manchuria and shall be guided thereby in its final preparation.

4. Please instruct whether the note may now be presented.

GREW

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<sup>87</sup> See Department's circular telegram of October 13, 4 p. m., p. 66.



693.001/356 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, October 7, 1938—5 p. m.  
 [Received October 7—6:20 a. m.]

651. Department's telegram No. 346, October 6, 7 p. m.,<sup>88</sup> American rights in China. Note with approved changes was delivered at the Foreign Office this afternoon.<sup>89</sup> Copy will be sent tomorrow to Shanghai by registered mail.

GREW

893.61331/115 : Telegram

*The Acting Secretary of State to the Consul at Tsingtao (Sokobin)*

WASHINGTON, October 7, 1938—5 p. m.

Your October 6, 9 a. m. The Department assumes that the interview to which you refer was between a representative of the Universal Leaf Tobacco Company and the Japanese Consul General. It is believed that you understand that it would be inappropriate for you to lend any support to arrangements which would further the use of Federal Reserve currency.

You should be prepared to lend all appropriate assistance to the American company but should refrain from participation in any local negotiations.

Please repeat to Chungking and Peiping and send by mail to Tokyo, and, if you have not already done so, repeat your telegram under reference to Peiping.

WELLES

893.61331/114 : Telegram

*The Acting Secretary of State to the First Secretary of Embassy in China (Salisbury), at Peiping*

WASHINGTON, October 8, 1938—3 p. m.

279. Reference last substantive paragraph of your 604, October 5, 3 p. m. If in your opinion the report contained in Tsingtao's despatch No. 379 [369] of September 19<sup>88</sup> has sufficient basis in fact to warrant such action, you are authorized to approach the Japanese Embassy in the manner which you suggest pointing out that the development in China of a situation which the organization of the proposed monopoly foreshadows would, in effect, nullify repeated Japanese

<sup>88</sup> Not printed.<sup>89</sup> Dated October 6, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 785.

assurances with regard to the maintenance of the Open Door or equality of opportunity in China.

Repeat to Tokyo for information only.

WELLES

893.61331/118 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, October 9, 1938—noon.  
[Received October 9—7:30 a. m.]

611. Embassy's 596, October 3, 5 p. m.<sup>90</sup>

1. A secretary of the Japanese Embassy read a statement yesterday to me in regard to discrimination against the Universal Leaf Tobacco Company. After referring to the agreement made between the British-American Tobacco Company and Japanese military last spring (Embassy's 226, April 12, 9 [5] p. m.<sup>91</sup>), he said that the American Company had suggested at that time to the Japanese that it purchase \$300,000 Chinese currency worth of foreign exchange, but changing its mind in late May saying that it had given up its intention of buying leaf tobacco in large quantities; that it now wishes to buy without purchase of foreign exchange probably because there is now no need for special protection along the Tsingtao-Tsinanfu Railway as a result of successful Japanese military operations; that the Japanese Embassy and military authorities regard the company as expecting too much (that is, the company is presumptuous); that acceptance of the American authorities' request would mean discrimination against the British firm; that the latter would then demand withdrawal of conditions of its agreement; that, in regard to the question of purchase of foreign exchange by Chinese and Japanese firms, the fact that they are so purchasing has probably not been noticed by the American company because there is no difference in the exchange value of yen and Chinese currency; that, therefore, there is no discrimination against American interest; and that, taking into consideration both American and Japanese interests, the Japanese Embassy suggests that the American company purchase a certain limited amount of foreign exchange, not so much as that previously proposed, so that difficulties with the British company would thereby be avoided. The secretary stated that if this solution is not accepted he believed the question would become dead-locked.

2. I pointed out to him that the existence of a voluntary agreement made by a British firm with the Japanese military did not justify

<sup>90</sup> Not printed.

<sup>91</sup> *Post*, p. 307.

this attempt to force an American company to purchase foreign exchange and that Japanese and Chinese firms were not being forced to buy foreign exchange at a loss to themselves in order to purchase tobacco whereas the American firm would have to suffer an approximately 40 per cent loss by purchasing exchange at an arbitrary rate rather than at the actual and favorable market rate of exchange obtainable. I said that, in seeking thus to impose its requirements on an American company, the Japanese authorities appear to be making an attempt to strengthen the Federal Reserve Bank by forcing the American firm to provide that bank with foreign exchange. The Secretary replied that the American company ought to help the Federal Reserve Bank in gratitude for the action of the Japanese military in making purchase of tobacco possible along the railway. I pointed out to him that it had also been Japanese military action some months ago which had made purchase in that area impossible.

3. If the company actually negotiated last spring in regard to purchase of foreign exchange, the position of the company would seem to be morally considerably weakened.

Repeated to Chungking, Tokyo, and Tsingtao.

SALISBURY

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611.9431/1624

*Memorandum by the Chief of the Division of Far Eastern Affairs  
(Hamilton)* <sup>94</sup>

[WASHINGTON,] October 10, 1938.

Today in many parts of the world various foreign governments are embarked upon courses of action definitely prejudicial to American rights and interests. These courses of action have force as their mainspring; they are the negation of the procedure of orderly processes. They are resulting, directly or indirectly, in confiscation of American property; discrimination against American trade and American nationals; and denial to Americans of equality of commercial opportunity.

In the Far East, Japan has been pursuing for a number of years a course of active aggression in China. As a result of that aggression, American rights and interests in China have been and continue to be impaired. Up to the present we have pursued a course of keeping the record clear by the filing with Japan of representations in protest and in reservation of our legal rights. Our representations have had very little practical effect in remedying the situation. The fight-

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<sup>94</sup> Addressed to the Adviser on International Economic Affairs, Feis, and the Assistant Secretary of State, Sayre. See also memorandum of July 30 by the Chief of the Division of Trade Agreements, vol. III, p. 244.

ing continues; American properties continue to be bombed and to be occupied by Japanese soldiers, in the Chinese territory over which Japan has gained military control, Japan is setting up special companies—some of a monopolistic character and some enjoying a preferred position; Japan has inaugurated a system of exchange control which enables Japan to deflect to its own purpose normal trade and commerce and which places Japan in position effectively to discriminate against all non-Japanese trade and commerce; and Japanese nationals have resumed trading on the Yangtze while Americans and other foreigners are still prevented or seriously restricted by the Japanese in their efforts to resume normal trading activities. It requires no gift of prophecy to perceive that if Japan is successful in the present hostilities, Japan will inaugurate measures the net effect of which will be that American rights and interests in China will be subjected to Japan's dispensation and American trade and commerce will be continued only in lines which Japan itself (or its allies) is unable to supply. Most of the American property which has been occupied by the Japanese military will probably be returned, eventually. But mere representations and the maintenance of our legal position will not serve to eliminate the other instances of Japanese interference with and impairment of American rights and interests in China.

Not only in the Far East but also in the Americas and in Europe some governments are pursuing courses of action which have impaired and which threaten further to impair American rights and interests.

In the light of this situation, which is becoming increasingly serious, the question arises whether there are any means which this Government might advisedly adopt to make more effective its efforts to protect American rights and interests.<sup>95</sup>

It is suggested that an effective means toward this end would be the broadening of our commercial policy so as to enable the American Government to adopt retaliatory measures in the field of trade and commerce against nations whose actions, whether within their own territories or in the territories of third nations, result in impairment of the legal rights and interests of American nationals and discriminations against American trade. Section 338 of the United States Tariff Act of 1930<sup>96</sup> gives the Executive a considerable measure of

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<sup>95</sup> The Secretary of State on March 31 had suggested to officers of the Department the study of possibilities for commercial retaliation against Japan by American executive action.

<sup>96</sup> Approved June 17, 1930; 46 Stat. 590, 704.

discretion in taking action against foreign nations which discriminate within their own boundaries against the trade of the United States in favor of third countries. A new technique of discrimination has, however, developed in which the offending nation treats all commerce with reasonable similarity in its own territory but through force (military, economic or financial) causes to be set up in its own favor in the territory of another nation or nations machinery tending to destroy or damage the established interests and trade of third nations. That is the situation confronting the United States in Manchuria and in the Japanese-occupied parts of China proper. The American law which authorizes retaliation does not cover such a situation. In dealing therewith it would probably be necessary for the Executive to ask that the Congress broaden by amendment the scope of existing law and perhaps grant certain additional specific powers for certain express purposes. Such powers might include, for example, authorization to impose special dues upon the shipping of the offending nation, to raise the tariff within specified limits on certain of the products of that nation, to impose duties on products now on the free list (so as to include raw silk) and the like. While it may be doubted whether the Congress would give the Executive blanket authority in this regard, it is suggested that the Congress might be willing to give the Executive certain limited and definitely specified powers.

The nature of the powers which the Executive would request of the Congress would require careful examination. There would need to be, also, careful examination of the question whether the grant to the Executive of wider powers of retaliation in the commercial field than now exist would run counter to this Government's historic commercial policy and long-continued advocacy of the principles of equality of commercial opportunity and of most-favored-nation treatment.

It is the belief of the author of this memorandum that a grant to the Executive of additional discretionary authority to take certain types of specified action in the commercial field against countries whose governments pursue policies which in effect result in discriminations against American trade and commerce either in their own territories or in the territories of third countries would give this Government a highly useful weapon in endeavoring to obtain more adequate protection for American rights and interests abroad. Such a weapon would need be used but sparingly. Its mere existence would, it is suggested, tend to have a deterring and sobering effect on certain nations. The broadening of our commercial policy, as envisaged in this memorandum, would be generally uniform in relation to all parts

of the world. The question whether the policy should be actively implemented in reference to any particular part of the world would, however, naturally depend upon the circumstances of the situation confronting American rights and interests in that part of the world.

The resting of a course of retaliatory action on the basis of the withholding of privileges to a particular country because of the impairment by that country of American rights and interests would be something which the foreign government concerned could understand. A foreign government would have no warrantable basis for contending that it should continue to enjoy in the United States and its possessions equality of opportunity while that government was taking action either in its own territory or in the territory of a third country resulting in impairment of American rights and interests. Also, the course now envisaged would not, it is believed, jeopardize our policy of non-involvement and impartiality, as it would be followed only in cases of clearly proven discrimination against and impairment of American rights and interests.

If you are of the opinion that the suggestion made in this memorandum warrants consideration, I would suggest that such further study as may appear desirable be instituted with a view to drawing up any needed projects of law. I need hardly emphasize that in so far as the Far East is concerned this whole question is an urgent one.<sup>97</sup>

M[AXWELL] M. H[AMILTON]

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693.001/357: Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, October 12, 1938—2 p. m.  
[Received October 12—7:35 a. m.]

659. Our 640, October 3, 4 p. m.

1. My British colleague yesterday had an interview with Prince Konoye, privately arranged, and approached the general subject of British interests in China along the lines of my own representations concerning American interests on October 3. The Foreign Minister gave him the same assurances regarding the maintenance of the Open Door and equal opportunity as he had given me, stating that the new China Board would ensure stronger control over the Japanese authorities in China by the Government in Tokyo and adding that he would study the various points and issues which the Ambassador had raised. Craigie asked him to consider the situation in Shanghai and the navi-

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<sup>97</sup> Notation by the Adviser on Political Relations, Hornbeck: "Concur."

gation of the Yangtze as the two most important issues in connection with Anglo-Japanese relations.

2. Prince Konoye will formally receive the diplomatic Chiefs of Mission tomorrow and has let it be known that he will continue to hold the portfolio of Foreign Affairs for the present.

GREW

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693.116/156 : Circular telegram

*The Secretary of State to Certain Diplomatic and Consular Officers in China and Japan*<sup>98</sup>

WASHINGTON, October 13, 1938—4 p. m.

Peiping's 606, October 6, 6 p. m., Tokyo's 640 [646], October 6, 9 a. m., and Tientsin's 191, October 7, 5 p. m., and 192, October 8, noon,<sup>99</sup> in regard to importation of radio equipment. The Department requests that Tokyo notify the Japanese Foreign Office that the proposed arrangements are not satisfactory and that the American Government reserves all rights in respect of losses suffered by American interests in consequence of enforcement by the provisional régime of any restrictions on the importation of American radio equipment.<sup>1</sup>

Peiping repeat to Tientsin.

HULL

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693.001/358 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, October 13, 1938—9 p. m.

[Received October 13—9 a. m.]

666. Our 659, October 12, 2 p. m., second paragraph, American rights in China. Prince Konoye, as Minister for Foreign Affairs, received the Chiefs of Mission separately this afternoon. He stated to me that he had taken up with the Ministers of War and of the Navy the various points which I presented to him on October 3 (see our 640, October 3, 4 p. m.), and expressed the confident hope that we would shortly see improvements in the conditions in regard to which I had made representations.

GREW

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<sup>98</sup> At Peiping, Chungking, Tokyo, and Shanghai.

<sup>99</sup> Last three telegrams not printed.

<sup>1</sup> The Ambassador in Japan addressed a note to the Japanese Minister for Foreign Affairs on October 18.

893.61331/120: Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, October 15, 1938—10 a. m.

[Received October 15—6 a. m.]

623. Embassy's 622, October 13, 5 p. m.<sup>2</sup>

1. A secretary of the Japanese Embassy called yesterday and read the following statement:

"There are three Japanese Leaf Tobacco Companies, Meihsing, Shantung, and Hotung in Tsingtao all of which have been financed by a limited amount of capital and so among them there has been keen competition which often resulted in causing undesirable effects. In view of that fact the Japanese authorities there suggested to these firms that they avoid unnecessary competition. Based upon this suggestion conversations had been going on for some time among the three firms and decision was recently reached that the three companies be amalgamated into a joint company. A report has just been received that an inaugural meeting will be held shortly. (It is needless to say that the joint tobacco company has nothing to do with the monopolization of Shantung leaf tobacco.) As this is the situation it will be understood that the information that a firm is going to be established at Tsingtao for the purpose of monopolizing the trade in Shantung leaf tobacco is entirely untrue. All tobacco companies whether American or British will have entire freedom to carry on their business as they have been doing."

The secretary stated that the sentence in parentheses was his own interpolation.

Repeated to Chungking, Tokyo and Tsingtao. By mail to Shanghai.

SALISBURY

693.001/359: Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, October 15, 1938—11 a. m.

[Received October 15—10:30 a. m.]

670. Our 659, October 12, 2 p. m.

1. My British colleague informs me that his Government was much impressed by our note of October 6 to the Japanese Government<sup>3</sup> relating in general to Japanese interference with American interests in China, the substance of which he cabled to London, and that the authorization which he then received to approach the Prime Minis-

<sup>2</sup> Not printed.<sup>3</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 785.



ter on somewhat the same general lines as I had done on October 3 was a direct result of his Government's favorable reaction. Craigie has lent me in strict confidence a copy of his telegram to his Government reporting his conversation with Prince Konoye on October 11, and since that document reports the interview in greater detail than was possible in our 659 and also since it reflects the present general atmosphere of Anglo-Japanese relations I think it is worth repeating to the Department in full as follows:

"Addressed to Foreign Office telegram No. 1178 of 11th October, repeated to Embassy, Shanghai number 944. I saw Prime Minister this afternoon and spoke as authorized in your telegram number 661. I added that there appeared to be two main causes of our difficulties—the British conviction that unfair discrimination was being used against them in China and the Japanese belief that we were affording concrete assistance to the Chinese Government in the prosecution of war. Having given instances of the discrimination of which we complained, I have said that we might hope to get the conversations on a higher level by avoiding recrimination about the past and concentrating on the future. I then referred to the conversations which had been proceeding in London before the outbreak of the incident and gave His Excellency the assurance that His Majesty's Government were no less anxious now than 18 months ago to reach a fair and comprehensive general settlement between the two countries.

Prime Minister declared that although there had been two changes in the portfolio of Foreign Minister, the policy of the Japanese Government remained unchanged and in particular their determination to respect foreign rights and interests in China. In reply to observations I had made on Shanghai and the Yangtze questions, Prime Minister stated that delay in meeting our wishes in regard to the first was due to the need of maintaining order and, as regards the second, to the necessities of the military situation. It was His Excellency's opinion that the two countries should cooperate for the future development of China and for the establishment of a lasting peace. There were in Japan elements unfriendly to Great Britain who desired to see our interests driven out of China, but the Japanese Government did not share these views and on the contrary wished to solve all these matters by friendly compromise. In response to a remark I had made as to the need of 'fair play' in dealing with British interests in China, Prime Minister said he was in full agreement that basis of our mutual policy should be fair play both as regards settlement of difficulties in China and in the wider sphere of Anglo-Japanese relations generally. As regards China he thought the main difficulty arose from the fact that this was a life and death struggle for Japan, whereas in foreign countries the matter was naturally viewed from a different angle. He concurred in an observation of mine that it was our duty in the calmer atmosphere of Tokyo to apply to the solution of these problems a more dispassionate analysis than was perhaps possible for our respective authorities in China. This would be his endeavor and he would study the questions at issue. I thanked His Excellency for this promise and suggested that he should direct his attention in the first place to the important questions of the

northern Settlement area in Shanghai and navigation on the Yangtze. I touched briefly on the dangers of interfering with the present judicial machinery in the Settlement and begged him to believe that if we were unable at once to accept every Japanese proposal this was not through any lack of desire to cooperate but because sometimes the Japanese proposals were simply not practicable. Cooperation for maintenance of law and order implied a working together for a common end, not the forcing on one party of proposals favored by the other. I begged His Excellency to start from the premise that it was the sincere desire of the British authorities and the Municipal Council to do what was in their power to stamp out terrorism and anti-Japanese activities in the Settlement.

The Prime Minister said he fully accepted my interpretation of the word 'cooperation' and said he appreciated the need of pressing on with these questions as soon as possible. He thought our programme should be (1) the settlement as far as practicable of outstanding differences in China, (2) restoration of peace and, (3) general settlement Japan and Great Britain of all outstanding difficulties on the lines of the proposals under consideration before the outbreak of the present incident. Craigie."

2. In a long talk with me last evening Craigie discussed what he considers would be the most profitable attitude of our representative [*respective?*] Governments in connection with our interests in China. First of all, he is convinced that whatever the precise outcome of the military campaign, Japan is in China to stay. Even if military reverses should occur and even if the Japanese Army should fail to reach and hold all the objectives at which it now aims, nevertheless the virility, determination and inherent strength of the Japanese nation and the continental policy which it has adopted lend certainty to the hypothesis that at least for the visible future we shall have to reckon with Japanese dominance over a considerable area of China. It is therefore the better part of selection in our own interests to approach this situation from a practical rather than from a purely theoretic point of view. In this respect, says Craigie, he differs from his own Government which in his opinion is too legalistic. He feels that nothing is to be gained and much is to be lost by legalistic intransigence; that method and manner of approach are all important, and that by adopting a friendly and conciliatory policy and by making such minor concessions as can be made without sacrificing important principles in dealing with the Japanese Government we shall, in the long run, be able to salvage something instead of losing everything.

3. Craigie has expressed these general views to his Government and has asked how far his Government is willing to go in following the conciliatory policy which he recommends. The British Government has replied that it desires to keep in step with the American Government as regards degrees either of opposition or of conciliation and has instructed Craigie to consult with me in shaping policy and action

here, but on general lines he has been authorized to proceed with the Japanese Government as follows:

“(a) Repeat that our authorities in China are prepared to receive and investigate any complaints or suggestions by the Japanese and will be willing to meet them short of doing anything legally improper or detrimental to China’s interests.

(b) Repeat the offer of good offices as and when both sides desire them for promotion of a fair and lasting settlement between Japan.

(c) Undertake, when hostilities cease, to afford what facilities we can to Japanese and Chinese alike in repairing damage and effecting economic reconstruction which will be necessary; and

(d) Negotiate generally comprehensive settlement with Japan.

As regards the press, you might say that our feeling is that if the Japanese continue to ride roughshod over our rights and interests they cannot expect us to refrain from complaints or invite our press to desist from criticism; the Japanese have only to restore what they have taken and to refrain from further attacks on our interests and tone of our press will moderate itself. We do, however, do what we can to induce leading newspapers to refrain from use of unnecessarily wounding phraseology.”

4. Reference our 633, September 28, midnight.<sup>4</sup> As a primary point for conciliation, Craigie feels strongly that some compromise must be worked out to bring about the return to the authority of the Shanghai Municipal Council of the northern Settlement. He points out that there was a reversion in 1911 to the former Consular Courts and believes that the same reversion could be put into operation now for the period of the emergency, under an arrangement by which the present judges would be retained and would act as assessors, thus preserving the practical advantages of the present system while obviating the Japanese distrust of subserviency to judicial representatives of the National Government. Craigie’s chief argument in this issue is that unless some compromise is soon reached which will bring about the return of the northern Settlement, the present situation may well crystallize in a way which will prevent such return at all. Here again Craigie feels that legalistic arguments ought to be superseded by practical considerations and corresponding action in meeting halfway the two Japanese conditions.

(This terminates the presentation of Craigie’s views as expressed in our conversation).

5. In appraising Craigie’s views as set forth above, the question arises in my mind whether there inhere to an equal degree in the respective American and British positions with regard to the situation in the Far East all the same and common factors. I do not refer, of course, to their common interests in principles of policy which are

<sup>4</sup> Vol. III, p. 305.

embodied in the Nine Power Treaty,<sup>5</sup> but to considerations which spring from physical and material circumstances. Briefly stated, the points I have in mind are:

(a) Politically, it is the present declared intention of the United States in due course to withdraw from the Philippine Islands,<sup>6</sup> its only territorial possession in Asia, whereas Great Britain envisages the permanent retention of its possessions in its area. The course which each of these nations must pursue toward Japan must, therefore, be formulated to a substantial degree by their long range objectives with regard to their respective territorial possessions in Asia;

(b) Economically, British investments in China are a part of the pointed British system of overseas investments which forms an essential element in the economic scheme of a nation which requires assured income from abroad to help offset unfavorable trade balance caused by inadequate food and other raw material resources. The protection of British investments in China, as elsewhere, is therefore one of the primary objectives of British policy;

(c) Commercially, it is British rather than American competition which especially concerns the Japanese.

6. We should also consider the fact that the respective positions of Great Britain and the United States in Japanese eyes are not at present identical. The present wave of anti-British feeling in Japan is intense and this must necessarily color the attitude and action of Japanese authorities. The attitude towards the United States of both Government and people in Japan is at present one of marked friendliness.

7. In the light of all the foregoing considerations, I am doubtful whether the British can completely concert their attitude with ours.

8. I do not cavil at Craigie's opinion that the Japanese are in China to stay and that whatever assets we are going to be able to salvage from the general wreckage of our rights and interests in China, unless we are prepared to exert positive leverage, cannot be salvaged by legalistically controversial approaches. Regardless of its repeated assurances as to the maintenance of the Open Door and respect for foreign rights and interests in China, the Japanese Government will unquestionably be guided, both now and in the future, by practical rather than legalistic considerations. The Prime Minister's use of the term "life and death struggle" in his conversation with Craigie is significant and correctly reflects the Japanese attitude toward the conflict in China and the aftermath thereof.

9. In my telegram 321, August 27, 1937, 4 p. m.,<sup>7</sup> and in my letter dated September 15, 1937, to the Secretary<sup>8</sup> I laid before the Depart-

<sup>5</sup> Signed at Washington, February 6, 1922, *Foreign Relations*, 1922, vol. I, p. 276.

<sup>6</sup> See the Philippine Independence Act, approved March 24, 1934, 48 Stat. 456.

<sup>7</sup> *Foreign Relations*, 1937, vol. III, p. 485.

<sup>8</sup> *Ibid.*, p. 525.

ment my views with regard to the course which should be followed by the United States in endeavoring to protect its rights and interests in China. These views have not changed. Although our approaches to the Japanese Government have not brought forth the results to which we are entitled, the discretion which the Department has given me with regard to the method of approach along with the attitude which our Government has taken with regard to the various issues created by the Japanese in China have placed the United States in a more favorable position to conserve its interests than have the methods employed by the British placed the British Government in a position to protect British interests. The method and manner of our approaches to the Japanese have constantly commended themselves to the Japanese Government. Whenever we have found it possible to reach a settlement on a practical basis, we have done so, perhaps reluctantly, but with good grace. At the same time, we have yielded none of our fundamental rights except temporarily and under unequivocal reservation.

10. Although entirely mindful of the desirability and need for coordinating action and policy with the British, I would be reluctant to see such cooperation conducted on the basis of our adopting present British methods.

11. I have expressed to Craigie my agreement with his thesis on general lines but have told him that I would communicate his views to Washington in order to elicit such affirmative or counter views or instructions as the Department may wish to express or to issue.

12. The question as to the use of "leverage" has been dealt with in previous communications from me. Financial or economic sanctions to compel respect for our diplomatic representations depend upon domestic considerations in the United States which we here are hardly in a position to gauge. Naval or military sanctions are highly unwise unless there exists behind them the determination to follow them up if necessary to their logical conclusion. Failing the use of positive leverage we had best continue to follow the policy pursued up to the present which has envisaged, so far as I can see, precisely the elements of attitude and method recommended by Craigie to his own Government.

GREW

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693.116/156 Suppl. : Telegram

*The Secretary of State to the First Secretary of Embassy in China  
(Salisbury), at Peiping*

WASHINGTON, October 15, 1938—3 p. m.

284. Department's October 13, 4 p. m., in regard to importation of radio equipment. Please inform the Japanese Embassy that the pro-

posed arrangements are not satisfactory and that the Japanese Foreign Office is being so notified; also that it is assumed of course that the proposals do not signify any alteration of the provisional régime's previous decision to permit importation of American radio equipment for which bona fide orders were placed prior to imposition of the embargo, as expressed in the instruction quoted in the letter addressed by the Superintendent of Customs to the American Consul General at Tientsin under date of September 13.<sup>9</sup>

Repeat to Tokyo, Chungking, Shanghai and Tientsin.

HULL

693.116/166 : Telegram

*The Consul General at Tientsin (Caldwell) to the Secretary of State*

TIENTSIN, October 18, 1938—4 p. m.

[Received October 18—1:30 p. m.]

195. With reference to importation of Zenith radios mentioned in my telegram No. 178, September 14, 3 p. m. and despatches 662, September 22 [21], 663, September 22 and 668, October 7,<sup>10</sup> a communication dated October 14 from the Superintendent of Customs quotes an instruction from Bureau of Communications at Peiping acknowledging receipt of the Superintendent's request for authorization to permit the importation of Zenith radio receivers "in accordance with the application" and stating that "the chairman" has now issued instructions "that as the restriction orders were issued long ago, the importation should be suspended and no further permission granted".

Receivers in question were ordered June 22, but import permit application was not made until September 13, the date on which this office received the first intimation that there was a dead-line for the receipt of applications (which, incidentally, was later stated to be September 5). The unreasonableness of this ruling was admitted by a Japanese consular officer who on September 29 assured a member of my staff that this importer would receive the same treatment as other importers.

A copy of the communication from the Superintendent of Customs is being mailed.<sup>11</sup>

Repeated to Peiping, Chungking, Shanghai, by land wire to Tokyo.

CALDWELL

<sup>9</sup> In telegram No. 626, October 17, 4 p. m., the Embassy in China at Peiping reported that action was taken the same day (693.116/165).

<sup>10</sup> Despatches not printed.

<sup>11</sup> Not printed.

893.61331/123 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, October 20, 1938—7 p. m.

[Received October 21—9:24 p. m.]

676. Peiping's 611, October 9, noon. Universal Leaf Tobacco Company.

1. Covington, president of company, called today at the Embassy, when we read to him paragraph 1 of the telegram under reference. He pointed out that there were several important inaccuracies in the statement made to the Embassy at Peiping by the secretary of the Japanese Embassy. In regard to these inaccuracies, he stressed that the company's offer to purchase \$300,000 North China currency worth of foreign exchange had never been accepted by the Japanese; that the company is still prepared to purchase a limited amount of foreign exchange; and that no question of discrimination against the British-American Tobacco Company would arise if the Universal Leaf Tobacco Company were allowed to operate for the reason that the B. A. T. are manufacturers of cigarettes whereas the American Company, which has no connection with the B. A. T., are strictly dealers in leaf tobacco.

2. Covington authorizes us to inform the Japanese, both in Tokyo and in Peiping, that the company cannot accept the same proposition which was accepted by the B. A. T., namely, to purchase foreign exchange to the value of one-half of the amount in North China currency available for the purchase of tobacco, for the reason that the American Company would be unable to compete with their Japanese and Chinese competitors who are not required to make any purchase of foreign exchange. The company is, however, prepared to purchase foreign exchange to an amount not exceeding \$200,000 North China currency, provided that (a) no further demands are made on them for further purchases of foreign exchange; (b) equal rights with Japanese and Chinese regarding transportation facilities and protection are assured.

3. We intend with the Department's approval to present to the Foreign Office an informal letter in which reference will be made to the conversation reported in Peiping's 611, and continuing substantially along the lines of the preceding paragraphs.

4. Covington is directing G. A. Arbogast, of the company's branch at Shanghai, to proceed to Peiping via [?] for consultation with the

Embassy at Peiping. It is suggested that Peiping repeat this telegram to Shanghai in order that the substance therein may be communicated to Arbogast.

Department's October 7, 5 p. m. to Tsingtao was sent by that office by mail. Embassy is repeating message by telegraph today to Tokyo [*Peiping?*], also to Shanghai. Repeated to Chungking, Tsingtao and Shanghai.

GREW

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693.001/363: Telegram

*The Consul General at Hong Kong (Southard) to the Secretary of State*

HONG KONG, October 24, 1938—1 p. m.  
[Received October 26—11:30 a. m.]

4. I have asked my Japanese colleague whether negotiations have yet been started with the Hong Kong authorities to reopen trade and other communication with Canton and he replied in the negative. His very confidential opinion is that traffic will not be permitted to resume so long as the area concerned has the status of "a zone of military operation" and is not prepared to estimate how long that may be. He expressed the further very confidential opinion that it would be more practical for the Hong Kong authorities to negotiate in such matters with him rather than via the British Embassy in Tokyo and is prepared to enter into such negotiations if and when approached. My deduction is that he has had preliminary instructions from Tokyo although he did not say that. My colleague states also that he had had a preliminary conversation with the Resident Commissioner of Chinese Maritime Customs (A. E. Pritchard) about Kowloon customs collections and this was confirmed to me in an independent conversation with the Commissioner. My colleague told me his staff here was being increased in anticipation of the above indicated and other additional duties. In his confidential opinion the persistent local rumors of an offer of German and British mediation in the present conflict have no foundation of fact. The British Ambassador to China who left here last night on a British war vessel for Haiphong en route to Chungking denied to local questioners that he was carrying or concerned with a mediation offer.

Repeated to Canton, Chungking, Peiping.

SOUTHARD



693.001/361 : Telegram

*The Consul at Tsingtao (Sokobin) to the Secretary of State*

TSINGTAO, October 24, 1938—3 p. m.

[Received 4:12 p. m.]

1. 1. The American Chamber of Commerce in Tsingtao is forwarding through the Consulate to the Secretary of State a statement dealing with conditions in this city affecting American interests.

2. The statement deals, first, with harbor facilities granted Japanese and denied Americans, second, with import permits granted for certain items in favor of Japanese interests, third, calls attention to the banking situation arising out of circulation of North China Federal Reserve currency, fourth, dwells at some length on the subject of export restrictions dealt with in my despatch No. 224 [234], September 9<sup>13</sup> and telegrams and cites the fact that Japanese firms continue to ship without restrictions imposed on American firms.

3. Statement then continues with a section on suggested official American action and offers the suggestion that American consular officers might be instructed to refuse certification of consular invoices for commodities which American firms are restricted from exporting. In this connection see telegram of September 24, noon, from the Embassy [at] Chungking and my reply of September 26, 11 a. m.<sup>14</sup>

4. The statement closes with a request for advice on hypothetical dealings with the presumed occupation of property in which Americans have an interest and with possible coercion of American firm by Japanese interests to force amalgamation of a group of manufacturers into one large Japanese company.

5. Consulate in transmitting the statement will make appropriate comment.<sup>13</sup>

Repeated to Peiping and Ambassador. By mail to Tokyo.

SOKOBIN

693.116/169 : Telegram

*The Counselor of Embassy in China (Lockhart) to the Secretary of State*

PEIPING, October 27, 1938—3 p. m.

[Received 8:31 p. m.]

631 [641]. Tientsin's 195, October 18, 4 p. m. The Embassy on October 25th made representations to the Japanese Embassy on the

<sup>13</sup> Not printed.<sup>14</sup> Neither printed.

basis of Tientsin's aforementioned telegram and previous communications. The concerned Japanese official yesterday informed the Embassy that discussions were now proceeding with the Tientsin Customs regarding the matter and that the Embassy would be kept informed of developments.

Repeated to Tientsin, Chungking and Shanghai. By mail to Tokyo.

LOCKHART

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611.939/51 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, October 28, 1938—5 p. m.

369. Tientsin's 196, October 22, 10 a. m.,<sup>15</sup> in regard to the customs notification of date October 18, 1938, prohibiting the exportation of sheep and slink wool and hemp as from that date. The Department desires that you approach the Japanese Foreign Office in such manner as you may consider appropriate and express the surprise of the American Government that the Japanese Government should allow the imposition in north China of an embargo on an important Chinese export to the United States at a time when, according to assurances given to you, it is giving consideration to the extensive and general representations made in your note of October 6<sup>16</sup> in regard to Japanese violations of equality of opportunity or the open door in China.

Point out also that for many years prior to the outbreak of hostilities between China and Japan sheep wool was one of the most important exports from north China to the United States; that the wool produced in north China and Inner Mongolia is chiefly carpet wool in demand in the United States; and that the embargo affects contracts of American firms involving more than 1,000,000 United States dollars. Say that the wool embargo will not only cause financial loss and embarrassment to American dealers in China and American consumers in the United States but that, in as much as foreign exchange is available for imports into north China from the United States and other non-Japanese areas only as it accrues from exports from north China to the United States and other non-Japanese areas, it will tend to restrict the market in north China for American exports and is therefore detrimental to the general interests of the United States.

In conclusion please state that the American Government requests

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<sup>15</sup> Not printed.

<sup>16</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 785.

that the Japanese Government take prompt and effective measures to cause the removal of the embargo on wool and hemp.<sup>17</sup>

HULL

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893.61331/123 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, October 29, 1938—3 p. m.

372. Your 676, October 20, 7 p. m., in regard to the discrimination in north China against the Universal Leaf Tobacco Company. It appears to the Department that the essential facts in the case were presented by you to the Foreign Office on September 26 (reference your despatch No. 3283, September 28<sup>18</sup>) and that the additional information contained in the telegram under reference consists largely of the details of counter proposals put forth by the Company. Unless you feel strongly that the circumstances call for the action suggested by you, would it not be better to let a negotiation of this type be carried on by the Company's representatives directly with the Japanese authorities in China? In this connection you may inform Mr. Covington that the American Embassy in Peiping has been asked to put Mr. Arbogast in touch with the proper Japanese authorities and to lend such other assistance as it may consider appropriate.

Peiping, please be guided by the foregoing.

HULL

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893.61331/125 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, October 31, 1938—2 p. m.  
[Received October 31—7:10 a. m.]

695. Department's 372, October 29, 3 p. m., Universal Leaf Tobacco Company.

1. During Covington's call at the Embassy on October 20, he read our note of September 26 to the Foreign Office and was informed of the contents of paragraph 1 of Peiping's 611, October 8 [9], noon. He stated that he could not understand how the Japanese obtained the impression that the company had withdrawn its offer to purchase "a certain larger amount of exchange," as the company has all along been prepared to make such purchase. He was inclined to believe, as we are, that the obstructive attitude of the Japanese authorities in

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<sup>17</sup> In compliance with these instructions, the Counselor of Embassy in Japan, Dooman, held a conversation and left an *aide-mémoire* with the Director of the American Bureau of the Japanese Foreign Office, Yoshizawa, on November 2 (611.939/60).

<sup>18</sup> Not printed.

Shantung is highly important measure due to their misunderstanding of the company's position. He emphasized the need, in view of the approaching end of the tobacco season, for removing as soon as possible that misunderstanding by presenting clearly to the Japanese the position which the company has taken from the very beginning. It is that position, we understand, which is set forth in paragraph 2 of our 676, October 20, 7 p. m.

2. It has been our thought that, as little time remains for the company to operate in Shantung this season, we in Tokyo and the Embassy in Peiping should at once take steps to assure that the difficulty does not arise out of Japanese misunderstanding of the position taken by the company, and that if the Japanese should show any disposition to reach a settlement on the basis of the proposition outlined by Covington, to transfer the negotiations to the company representative. However, we will take no action unless, in the light of the foregoing, the Department authorizes us to proceed as proposed in our 676.

3. Covington is en route to the United States and may be reached in a few days at the office of the company in Richmond, Virginia.

Repeated to Peiping.

GREW

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611.939/55 : Telegram

*The Counselor of Embassy in China (Lockhart) to the Secretary of State*

PEIPING, October 31, 1938—5 p. m.  
[Received October 31—8:30 a. m.]

649. Department's 369, October 28, 5 p. m., was repeated October 31, 4 p. m., to Tokyo with the addition of the following paragraphs.

"Tientsin Consulate states wool received at Tientsin far exceeds German and Japanese requirements for wool of that type and that the direct exports of such wool to Japan are too small to warrant the imposition of an export embargo; but the embargo gives official recognition to the restrictions placed on wool trade in primary markets (especially Mengchiang) by the Japanese military. Consulate General believes restrictions probably imposed at the instance of Japanese military in order to acquire foreign currency credits through eventual sale of wool to foreign markets on barter basis. It is reported that stocks of carpet wools totaling over 1,000,000 pounds have been stored in Kalgan for several months; but the Japanese have declined to purchase any considerable portion, have simultaneously prohibited non-Japanese buyers from making wool purchases in Kalgan and have denied transportation facilities for wool cargoes from that point to Tientsin when destined for non-Japanese consignees. The Consulate observes that removal of the export embargo would be of only slight benefit so long as exporters are denied free access to the primary wool

markets in the interior and refused transportation facilities from those markets to Tientsin.

Chinese Maritime Customs returns show the United States to be in recent years by far the most important importers of Tientsin wool. Inasmuch as there is in North China a large amount of native wool used in the production locally of woolen yarn, cloth and blankets (as well as carpets), it is possible the Department in the first sentence of section 2 of its telegram intended not wool 'produced in' but 'exported from' this area.[""]

2. Paragraphs next above have been repeated to Department. Code text by mail to Tientsin.

LOCKHART

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893.61331/125 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, November 5, 1938—3 p. m.

383. Your 695, October 31, 2 p. m., in regard to Universal Leaf Tobacco Company. In the light of your comments and the additional information contained in your telegram under reference, the Department authorizes you in your discretion to take the action suggested in paragraph 3 of your 676, October 20, 7 p. m. The Department assumes, of course, that except for a reference to the conversation reported in Peiping's 611, October 9, noon, your communication will be confined to a transmittal of the facts of the company's position as presented to you by Covington.

HULL

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693.001/381 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, November 7, 1938—5 p. m.

[Received 7:33 p. m.]

710. 1. My initial interview today with the new Minister for Foreign Affairs<sup>19</sup> was on his part [of] a negative and therefore of an unsatisfactory character. After the amenities as between two old friends, I referred to the assurances expressed to me by Arita's three predecessors in vain [*turn*] to the effect that the foreign policy of the Japanese Government would undergo no change during their respective administrations and that American rights and interests in China would be respected and the Open Door and equal opportunity supported. I then inquired whether the new Minister would renew those assurances.

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<sup>19</sup> Hachiro Arita.

2. Arita replied that when he was formerly Foreign Minister <sup>20</sup> the attitude of the Japanese people towards the United States was particularly friendly and that it is still friendly today, but that in the meantime the attitude in the United States towards Japan has considerably altered due to things that have occurred in China. He supposed that by reading recent comments in the Japanese press I have gleaned some comprehension of the present attitude of the Japanese people in that connection. The Minister said that in estimating opinion in his own country he must proceed slowly and "with great prudence".

3. The Minister then referred to our note of October 6 <sup>21</sup> which he said he understood conveyed the attitude of the American Government towards the situation in China but added that he had not yet had time to read it. I urged him to do so forthwith because without familiarities of [*familiarity with*] the contents of that note he could not appreciate the nature and extent of the difficulties between our two countries.

4. At this point the Minister referred to the public address of the Prime Minister on November 3 <sup>22</sup> as an indication of Japanese policy. I immediately replied that we had carefully studied that address but that portions of it required interpretations and I asked specifically whether he was in a position to interpret the following excerpt: "Japan does not reject cooperation with other powers, neither intends to damage the interests of third powers. If such nations understand the true intention of Japan and adopt policies suitable for the new conditions, Japan does not hesitate to cooperate with them for the sake of peace in the Orient." I asked what policies "suitable for the new conditions" the Prime Minister had in mind. Arita replied that he thought it important that we should have a long talk concerning all these matters and that he would be better prepared for such a talk after he had been a little longer in office. He repeated the view that he must proceed slowly and that the situation is "very difficult". I asked whether he would see me as soon as he returns from reporting at the National Shrine at Ise whither he proceeds tonight. He replied that he needed a little more time but hoped that we could have the talk sometime next week.

5. On my stating that these matters are urgent and that they are so regarded by my Government, Arita counselled patience and added that if we should press for an immediate reply to our note of October 6 he was afraid that the Japanese reply would not be satisfactory. He repeated and emphasized the word "patience".

6. I thereupon informed the Minister that I must bring specifically and urgently to his attention one phase of the situation dealt with in

<sup>20</sup> April 1936-January 1937.

<sup>21</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 785.

<sup>22</sup> *Ibid.*, p. 478.

our note of October 6, namely, the problem of free navigation of the Yangtze River between Shanghai and Hankow and after vigorous oral representations along the lines of the Department's 373, November 2, 2 [4] p. m.,<sup>23</sup> I left with him my note number 1111 of today's date.<sup>24</sup> I told the Minister that my Government would not be satisfied with an indefinite reply and I pressed him for a favorable answer including the naming of an early date for the withdrawal of restrictions on freedom of navigation on the Yangtze River below Hankow. The Minister was non-committal.

The interview thereupon terminated.

Sent to Chungking. Commander-in-Chief will be informed.

GREW

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693.001/399 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, November 7, 1938—8 p. m.  
[Received November 7—8:35 a. m.]

711. Tomorrow morning Fleisher will telephone to the New York *Herald Tribune* a long statement which will be attributed to a high Japanese authority in a position of responsibility. The source of the statement is Yoshizawa, Chief of the American Bureau of the Foreign Office, who requested that his name be withheld from publication but expressed to Fleisher the desire that his remarks be given full publicity in the United States. Among other points the statement says that there is no truth in the current press reports that Japan will denounce the Nine Power Treaty or that Japan will ask for revision of the treaty because no revision could satisfy all parties concerned. Yoshizawa opined that the treaty will eventually die a natural death.

With regard to our note of October 6, Yoshizawa said that the Japanese Government was unfavorably surprised at its publication without prior consultation.

Fleisher is to send me the text of his despatch but I assume that the *Herald Tribune* will publish it in full.

GREW

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893.61331/127 : Telegram

*The Counselor of Embassy in China (Lockhart) to the Secretary of State*

PEIPING, November 8, 1938—3 p. m.  
[Received November 8—10:40 a. m.]

664. Department's 383, November 5, 3 p. m., repeated to Tokyo November 6, 10 a. m. This Embassy communicated Covington's offer

<sup>23</sup> *Post*, p. 195.

<sup>24</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 794.

to the Japanese Embassy without comment and without committing in any way the American authorities to the support of the proposal. Arrangements have been made for Arbogast, who has now arrived at Peiping, to consult regarding the matter with the Japanese Embassy authorities.

Repeated to Tokyo.

LOCKHART

693.116/175 : Telegram

*The Counselor of Embassy in China (Lockhart) to the Secretary of State*

PEIPING, November 8, 1938—5 p. m.  
[Received November 8—10:45 a. m.]

666. Tientsin's 208 [202], November 2, 11 a. m.<sup>25</sup> A secretary of the Japanese Embassy today informed this Embassy that the original issuance of permits by the Superintendent of Customs was a mistake, but that the permits already issued would not be rescinded; however, no further permits would be issued to those companies (such as Amasia and Frazar) which have heretofore failed to obtain permits for the import of short wave sets ordered before the imposition of the embargo.

Repeated to Tientsin. By mail to Tokyo.

LOCKHART

893.61331/128 : Telegram

*The Counselor of Embassy in China (Lockhart) to the Secretary of State*

PEIPING, November 9, 1938—1 p. m.  
[Received November 9—8 a. m.]

667. Embassy's 664, November 8, 3 p. m. Arbogast met twice with the Japanese Embassy authorities, and informed this Embassy that no decisive results were achieved, primarily because of the inability of the Japanese side to give assurance that the purchase of \$200,000 North China currency at this time would preclude subsequent similar demands by the Japanese military regardless of the company's business needs and the conditions under which its Japanese and other competitors operate. The Japanese authorities were quoted as saying that American firms engaged in business in China would be expected to purchase local currency in exchange for United States dollars at the official rate.

<sup>25</sup> Not printed.



Arbogast left by plane this morning for Tsingtao and Tientsin to consult with his board of directors, and plans to return shortly to Peiping.

Repeated to Tokyo, Shanghai.

LOCKHART

693.001/386 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, November 9, 1938—4 p. m.

[Received November 9—12:25 p. m.]

716. Our 714, November 8, 6 p. m.<sup>28</sup> The simultaneous appearance this morning in all papers of forecasts running along substantially similar lines of the contents of the forthcoming Japanese reply to our note of October 6 strongly suggests that these reports originate from a common and probably authoritative source. They anticipate that the Japanese reply will say that the principles of the Open Door and equality of opportunity were originally intended to be applicable only in the economic field and therefore may not serve as a basis for intervention by the Western Powers in political relations between Japan and China; that Japan has made secure its political paramountcy in the Far East and is setting up a new political structure through close association of late with Manchukuo and China; and that "recognition" by any other interested power of these two new developments must be a condition precedent to fulfillment of Japanese assurances with regard to the extension of the above mentioned principles to the economic interests in China of that principle.

Repeated to Chungking.

GREW

693.116/176 : Telegram

*The Consul General at Tientsin (Caldwell) to the Secretary of State*

TIENTSIN, November 10, 1938—noon.

[Received November 10—8:39 a. m.]

209. Embassy's 666, November 8, 5 p. m. A representative of the Japanese Consulate General, in conversation with officers of my staff on November 7, stated that all radio receivers ordered prior to imposition of embargo, including Zenith, would be admitted, provided Tientsin dealers would inform "some authority" (such as the Commissioner of Customs) the name and address of each purchaser after the sale of a receiver, which interested American importers state they are willing to do. As pointed out in my telegram No. 195,

<sup>28</sup> Not printed.

October 18, 4 p. m., Japanese Consulate General has admitted unreasonableness of ruling concerning importation by Amasia of Zenith receivers and I have several times been assured by members of its staff that Amasia would receive same treatment accorded other importers.

Repeated to Peiping by mail to Tokyo.

CALDWELL

693.001/384 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, November 12, 1938—3 p. m.

387. Your 711, November 7, 8 p. m. With reference to Yoshizawa's observations regarding the publication of our note of October 6, the Department suggests that the Embassy in its discretion may care to avail itself of a convenient opportunity to point out orally to Yoshizawa that while it is realized that publication of the note might create problems for the Japanese Foreign Office, this Government must also take into account its own situation and the interests of the American people; that between the time the note was presented to the Japanese Government and the time the note was published there elapsed approximately 3 weeks; that during that period and for many weeks prior thereto the Department was being pressed by interested American individuals and organizations both in the United States and in the Far East for a clear indication of this Government's position in regard to the matter of Japanese infraction especially of the principle of equality of opportunity in China; and that while this Government would expect usually to consult the Japanese Government in regard to the question of publishing a document emanating from that Government, there can be no warrant in circumstances such as prevail in and attend this case for questioning either the conventional right or the propriety of this Government's action in making public the note which emanated from it.

HULL

611.939/59 : Telegram

*The Counselor of Embassy in China (Lockhart) to the Secretary of State*

PEIPING, November 15, 1938—noon.

[Received November 15—7 a. m.]

679. Embassy's 658, November 3, 4 p. m.<sup>27</sup> Tientsin despatch of November 5 states that the British and French Consuls report

<sup>27</sup> Probably telegram No. 699, November 2, 5 p. m., from the Embassy in Japan via Peiping; not printed.

having made representations both locally and to their home Governments regarding the wool embargo and that the German Consulate protested to the Japanese Consulate at Tientsin, and that the German Embassies at Peiping and Tokyo had lodged protests with the Japanese Government.

A Japanese official at a consular body meeting at Tientsin expressed the confidential view that modification of the wool embargo, which was imposed at the instigation of the military, was unlikely but he stated that efforts to permit the export of wool already contracted for were being made. It is known that the German Counselor at Peiping in orally discussing this matter with an official of the Japanese Embassy threatened to recommend to his Government that shipments of certain much needed machinery on order in Germany for export to Japan be withheld until the embargo is canceled.

Copies of Tientsin's despatch have been forwarded to Tokyo and other interested offices and will be repeated to the Department.<sup>28</sup>

By mail to Tientsin and Tokyo.

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LOCKHART

693.001/389 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, November 16, 1938—3 p. m.

[Received November 16—10:30 a. m.]

732. Our 710, November 7, 5 p. m., paragraph 5. The Minister for Foreign Affairs told me at luncheon today that we shall probably receive on Saturday November 19 the Japanese reply to our note of October 6 concerning American interests in China and that he will receive me for our contemplated conversation on the following Monday, November 21.

I shall endeavor to have the note translated and cabled to Washington in time for the Department to send me any urgent instructions for use in my talk with the Minister on Monday, the exact hour for which has not yet been set.

In the meantime Arita has said to Dooman that he would like to have a talk with him on Saturday, November 19, at 2 o'clock not on a basis of official formality but "as between two old friends". I am entirely in favor of this procedure because the Minister will undoubtedly talk more openly and "off the record" to Dooman than he would or could with the American Ambassador and we may expect that interesting disclosures concerning future Japanese policy will emerge from that conversation in anticipation of the Minister's subsequent

<sup>28</sup> Not printed.

interview with me. The result of Dooman's talk will be cabled immediately in order to give the Department still more material upon which to base instructions for my guidance on Monday. I hope that the decks may be cleared so that I may receive the Department's comments or instructions in plenty of time before my own conversation on that day.

GREW

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693.001/390 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOkyo, November 16, 1938—11 p. m.

[Received November 16—8:11 p. m.]

735. Our 732, November 16, 3 p. m.

1. The Minister for Foreign Affairs has now made an appointment to see me at 3:30 o'clock Monday afternoon, November 21.

2. My British colleague had an hour and a half with the Minister for Foreign Affairs this afternoon to discuss the general subject of Japan's policy in China with special reference to foreign interests, and since this talk probably presages the general line that the Minister will follow in his conversation with me on Monday I am cabling below in full Craigie's telegraphic report of his interview which he will send to London tonight textually as follows.

3. "16th November 1938. I had a long conversation this evening with Minister for Foreign Affairs in regard to Japanese proposal for a 'new order' for China. His Excellency began by saying that he would prefer to reserve any official observations until after the despatch of the Japanese reply to the American note October 6th but he was ready to give me quite frankly an outline of his personal views in what should be regarded as an unofficial conversation.

At the outset of the conversation I referred to the specific assurances of respect for British rights and interests and for the principle of equal opportunity which I had received from His Excellency's predecessors and said that the indications that these promises were not to be made good were naturally creating a most unfavorable impression in my country. I hoped that His Excellency would enable me to correct this impression. Mr. Arita replied that it was necessary to recognize that a complete change had come over the situation in China and that assurances given earlier might not be wholly applicable to the new situation which had developed. Moreover, public opinion in Japan now insistently demanded a policy based on the proposed tripartite bloc. I observed that the assurances given had been without reservation or limit of time and that in my opinion the policy of restraint and neutrality pursued by His Majesty's Government must to some extent at least have been determined by reliance on the categorical assurances we had consistently received. I felt that this was an aspect of the question which the Japanese Government should very carefully consider particularly in connection with the answer which

the Japanese Government were preparing to the American note. Mr. Arita replied that these considerations were being borne in mind. Subsequent talk was discussive [*discursive?*] but may be summarized as follows.

(a) Minister for Foreign Affairs strongly denied suggestion Japan aimed at the eventual exclusion of foreign trade from China. Such a scheme would in any case be quite impracticable even if it were desired by Japan.

(b) His Excellency repeated his earlier statement in regard to possibility of economic boycott or sanctions against countries having slender economic resources. He instanced the powerful economic groups already in existence such as the British Empire, the United States of America (with which he linked Latin-America) and Russia maintaining that the only way to secure some measure of economic appeasement in the world was that the smaller countries should also be grouped into similar economic blocs.

(c) On the questions of the 'Open Door' and equality of opportunity, he felt that it was unfair that these principles should apply to China only. It was time that in this respect China should be put on an equality with other powers. He hoped that the powers interested in China would not take too narrow or technical a view of this matter but would take cognizance of the economic changes in and needs of the Far East and endeavor to settle all these matters in a practical manner. Japanese Government did not intend to demand a modification of the existing treaty position but they hoped that other powers would come forward with proposals which, while taking due account of Japan's needs, would nevertheless satisfy their own requirements in China.

(d) As regards our existing grievances against actions of the Japanese naval and military authorities in China, Mr. Arita seemed inclined to recognize the force of my argument that such actions, by creating a deep seated resentment and suspicion in interested foreign countries, were not calculated to predispose those countries in favor of what he had termed a 'practical' solution of the economic problem. His Excellency said that he was doing all in his power to meet our desiderata and I drew his attention particularly to the important questions of the navigation on the Yangtze and restoration of the northern Settlement area.

In the course of this long conversation I furnished the obvious replies to many of Minister for Foreign Affairs' arguments. In particular I drew attention to the dangers inherent in the system of economic blocs even from Japan's point of view since, by following the mirage of a monopolistic system within a Japan-China-Manchukuo bloc, she might be risking the realities of her existing very profitable trade with the other economic entities he had mentioned. I also strongly denied that the principles of the 'Open Door' and equality of opportunity was applied to China only. After mentioning the equality of opportunity available on our own market, the principles of the most-favored-nation on which our commercial treaties were based and the absence of any trade discrimination against Japan

in those countries which provided her best markets, I expressed personal opinion that the British Government would not wish to hold a free and independent China to any particular economic system of which she might disapprove, but proposals from a China, of which one-third was controlled by Japan and the fruits of which were intended primarily to benefit Japan, would obviously receive a very different reception.

In leaving I thanked His Excellency for his frank statement and we both agreed that only good could come of such talks designed to elucidate exactly what was in the minds of the Japanese Government on this important question." Craigie telegram ends here.

4. Craigie saw me immediately after his conference with the Minister for Foreign Affairs this afternoon and in describing the interview said that he felt encouraged thereby because it at least indicated a desire on the part of the Japanese Government to reach some practical and reasonable solution of the difficulties with the powers. I pointed out to Craigie the utter fallacy of the Minister's observation that the principle of the Open Door was being made to apply only to China and cited as examples a variety of instances where controversy over this very principle had arisen in times between Great Britain and the United States, now fortunately largely allayed. Craigie for his part was impressed with the Minister's suggestion that other powers should come forward with proposals for revising the present treaty position, Arita obviously having tacitly in mind the Nine Power Treaty.

5. I trust that the foregoing report may prove useful to the Department as preliminary material in commencing to draw up practical observations or instructions for guidance in my conversation with the Minister for Foreign Affairs on Monday which I hope can be cabled me at latest by Sunday noon in Washington. On the other hand, if the time proves to be too short, I can merely listen to the Minister's remarks without immediate rebuttal and report them to Washington for subsequent instructions.

No repetition.

GREW

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693.001/389 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, November 17, 1938—1 p. m.

389. Your 732, November 16, 3 p. m. I shall await with keen interest the Japanese reply to our note of October 6 concerning American interests in China and the reports of your and Dooman's contemplated conversations with the Japanese Minister for Foreign Affairs.

I am sure you realize that the Department desires to be as helpful as possible and to take advantage of every favorable opportunity to bring home to the Japanese Government this Government's principles of policy and broad objectives in the Far East. I question, however, whether the Department will wish to issue instructions or to comment in regard to the Japanese reply to our note of October 6 or in regard to the conversations with the Foreign Minister before it has had time thoroughly to study the Japanese reply and the statements which the Foreign Minister may make to Dooman and to you. It seems probable, therefore, that in your conversation with Arita, unless there should develop before that conversation some urgent question which demands immediate action, the Department will want to rely upon your sound discretion exercised against the background of this Government's policy as indicated in the Department's 212, June 25, 4 p. m.,<sup>29</sup> and 339, October 1, 2 p. m., and other instructions sent you from time to time. In this connection, if your conversation occurs on Monday as scheduled and if the Japanese reply to our note of October 6 is made before that time, you may wish to indicate to Arita that the short time that has elapsed since the receipt of the Japanese reply renders desirable a continuation of your conversation with him at some early future date.

The Department feels that it might be well for you on any and all occasions when and as opportunity presents and when the Open Door policy, the Nine Power Treaty and such matters come within the field of discussion, to emphasize to high Japanese officials the fact that the principle of equality of commercial opportunity has been a fundamental principle of the foreign policy of the United States ever since this country came into existence; that treaties relating to the Far East to which this country is a party and in which provisions relating to that principle appear were in all instances concluded with a view to decreasing and avoiding frictions which had developed or which might develop in international contacts in the region or regions under reference; that the American Government and people believe with conviction that the principles and the provisions are sound, in the interests of all concerned; and that adherence to, respect for and observance of those principles and provisions will make for peace and general prosperity whereas contrary courses would inevitably make for friction and consequences injurious to all countries including those which pursue such courses.

HULL

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<sup>29</sup> Vol. III, p. 203.

893.811/1036: Telegram

*The Second Secretary of Embassy in China (Smyth) to the  
Secretary of State*

NANKING, November 18, 1938—noon.

[Received 3:10 p. m.]

186. My 184, November 16, 4 p. m.<sup>30</sup> The American representative of an American oil firm and responsible Chinese businessmen here state that considerable quantities of commercial freight, principally Japanese, are arriving here from Shanghai by Chinese merchant vessels and Japanese lighters. These men have not kept detailed records of import and export cargoes (as have been done by the British shipping agents mentioned in my 158, September 8, 9 p. m.<sup>31</sup> and 184, November 16, 4 p. m.) but they have given careful study to shipping and they believe that commercial shipments make up an average of between 30 and 40% of the cargoes carried by Japanese commercial vessels and lighters arriving here from Shanghai. They add that on down river trips the cargoes of these vessels consist almost entirely of commercial exports from this area.

In this connection it should be mentioned that on July 31 there were 1514 Japanese civilians and 172 Japanese shops in Nanking. A few days ago the Japanese Consul General informed me that there were now approximately 3000 Japanese civilians in Nanking, or double the number 3 months ago. The number of Japanese shops has also greatly increased. The Japanese Consul General said that most of these Japanese civilians were small shopkeepers and it would seem, from observation, that they deal chiefly in Japanese imported goods. Until the end of September, when the Shanghai-Nanking railroad freight service was established, the Japanese goods sold in these shops were brought here by Japanese vessels; with the advent of the railroad freight service a fairly large amount began to be transported by this means, but the railroad cannot handle the increasing imports (and other freight) and a considerable amount is still brought here by Japanese merchant vessels.

In general, foreign goods can only be shipped and sold here through Japanese agents. The trade in petroleum products in the Nanking area, now only about 15% of normal, is handled chiefly through Japanese firms; one British and one American oil firm handle foreigners' business almost entirely through Japanese agents; one American firm markets about 85% of its products through Japanese agents here, but is endeavoring to market the balance through its own organization, although all shipments from Shanghai to Nanking are

<sup>30</sup> Not printed.<sup>31</sup> *Post*, p. 466.



handled through Japanese transportation firms. This company, however, fears that it is only a question of time until its Japanese agents will take over all marketing here. The trade in cigarettes and other foreign goods is almost entirely in the hands of Japanese firms, who handle shipments from Shanghai and marketing here; many American and other foreign goods, however, are being displaced by Japanese goods, this being particularly noticeable in the case of canned goods.

The Japanese attitude in regard to American and other foreign business in Japanese-occupied areas in China is well expressed in the following remark made some time ago by a Japanese businessman to an American fellow traveller on a train coming to Nanking: "Of course, you Americans are not allowed to do business in occupied territory but you can do it through a Japanese." It becomes increasingly clear that the Japanese intend to control foreign trade in this area and to place every obstacle in the way of business by non-Japanese foreigners.

In view of the continued and serious Japanese interference with American rights and interests in this area, I cannot but be struck with the evidence in Nanking of substantial American contributions to the Japanese military organization, the actions of which have created the conditions against which we protest. The Japanese Army motorized equipment, in particular, appears to be largely American; the main streets of Nanking are full of Japanese Army motor cars, motor trucks, and tractors, and, from the observations of members of the staff of this office, at least 70 or 80% of these bear the names of American manufacturers. The American Douglas airplane in Japanese military service is a frequent sight over Nanking; yesterday, while driving past the inner city airfield, I noticed, among others, six planes, apparently Douglas transports. The representative of an American oil firm here informs me that a large part, if not most, of the gasoline used by the Japanese bombing and other planes based on Nanking is of American origin, and that a substantial part of the fuel used by Japanese naval vessels on the river is also of American origin. There are, of course, other American contributions to the Japanese military organization, which need not be listed here.

Sent to Shanghai, repeated to Department and Peiping.

SMYTH

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693.001/395 : Telegram

*The Consul at Tsingtao (Sokobin) to the Secretary of State*

TSINGTAO, November 18, 1938—4 p. m.

[Received November 19—5 a. m.]

15. 1. The chief of the Japanese special naval mission which office has controlled the shipments in and out of Tsingtao and which is re-

sponsible for the complaints of local American firms is being recalled. There is some reason to believe that his recall is directly connected with the protests of the foreign governments and it has been reported that the Tokyo authorities have given orders that within a period of 2 months the port of Tsingtao must be made completely open to foreign trade without the restrictions which the Japanese have imposed in recent months.

2. The signs of a relaxation are believed to be also due to complaints by Japanese merchants that the naval mission's restrictions had caused Shantung export produce to flow toward Tientsin and not to Tsingtao.

3. It is somewhat early to state definitely that interference with our trade will cease immediately with the recall of the chief of the mission but there are signs that our Government's protest has made a deep impression in Japanese quarters.

4. Repeated to Peiping.

SOKOBIN

693.001/396 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, November 19, 1938—8 p. m.  
[Received November 19—2:25 p. m.]

744. Our 732, November 16, 3 p. m. The following is a summary of the private and informal interview lasting over an hour which Dooman had this afternoon with the Minister for Foreign Affairs. As preamble I quote the first two paragraphs of Dooman's memorandum of the conversation.<sup>32</sup>

1. ["] After an exchange of amenities Mr. Arita asked me at the outset how the Ambassador had reacted to the note which was handed to me last evening at the Foreign Office.<sup>33</sup> I replied that the Ambassador had examined the note with the best of good will but that he was unable to find in it any statement which was substantially responsive to the desires of the American Government. Mr. Arita said, 'Well, I suppose not.'

2. Mr. Arita remarked that we were meeting, of course, informally and as old friends and that he felt that he could express himself freely to me not only because he could use the medium of his own language but he need not be unduly reserved."

3. Arita said that he realized that the reply of the Japanese Government to our note of October 6 did not refer at length to the question of Japanese observance of the principle of equality of opportunity. He was obliged to consider Japanese public opinion and if he had

<sup>32</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 801.

<sup>33</sup> *Ibid.*, p. 797.

presented in that reply the only position which public opinion in this country would approve or tolerate he would merely have given impetus to a debate which while exacerbating feeling displayed in the United States would have led to no constructive conclusion. On the other hand there was much he wished he could have included in that note and that he proposed to lay before me during our interview on Monday. He had asked Dooman to come in today in order that the latter could report to me beforehand what Arita has in mind.

4. There were two points which Arita believed merited the understanding of the American Government and people.

5. The first of these is that China is the only area in which the principle of equality of opportunity was set up by international agreement. It is true that a similar arrangement obtains with regard to Congo Basin.<sup>34</sup> After an extended account of the development of the Open Door in China, he said that the Japanese people felt that the motive of the European powers in emphasizing the Open Door in China is to assure opportunity for their exploitation of China just as they are now exploiting Africa.

6. The second point is that the United States and British Empire are self-contained economic as well as political entities. They have great wealth, they possess most of the necessary raw materials, and each contains within itself a large domestic market. Each country can, therefore, regard with composure any attempt at coercion by other powers through economic or for that matter military sanctions. Japan is, however, in a different position. Its domestic market is small and it possesses few resources. An army and a navy are incapable of securing the national defenses if attack is made, not by military instruments, but by the withholding from Japan of foreign markets and of essential raw materials. It is now the intention of Japan to place itself in a position of security against the possible application of sanctions either by the League of Nations or "by nations inside and outside the League."

7. It was, therefore, impossible for Japan now to give an unqualified undertaking to respect the Open Door. True, Arita's predecessors had given such assurances, but they had made, in his opinion, the mistake of trying to reconcile the Open Door with the accomplishment of Japan's objectives as above explained, and this could not successfully be done. He intended to approach the problem from a different direction. He would say plainly that Japan proposes to secure in China a safe market and a safe source of raw materials, but he would also say categorically that foreign enterprises and undertakings which did not conflict with the accomplishment of those objec-

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<sup>34</sup> See art. 1, convention signed at St. Germain-en-Laye, September 10, 1919, *Foreign Relations*, 1923, vol. 1, p. 437.

tives would be respected and indeed would be encouraged. He strongly objected to the use of the word "bloc" in connection with the system of economic cooperation which would be set up by China, Japan, and Manchukuo: he would declare that Japan contemplates no territorial acquisition at the expense of the other two countries quite as positively as that she is determined to round out her plans for "economic national defense."

8. Arita's final statement was a plea for continued oral and informal discussion between himself and me which he believed would be more likely to lead to agreeing on a new definition of the Open Door acceptable to both Governments than by recourse to discussion in official notes.

9. Dooman confined his remarks largely to emphasizing the discrepancy between even the new Japanese concept of the Open Door as just propounded by Mr. Arita and actual developments in China. If there are no objections I would make wholly clear the views of our Government during the course of our forthcoming interview.<sup>35</sup>

GREW

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693.001/399 : Telegram

*The Secretary of State to the Ambassador in Japan. (Grew)*

WASHINGTON, November 20, 1938—2 p. m.

393. Your 711, November 7, 8 p. m., and previous, in regard to equality of opportunity. With regard to the general question of the principle of equality in the Far East, the Department suggests that, if and as opportune occasions arise, the Embassy in its discretion point out to Japanese officials that this Government is anxious to contribute toward improvement of international relations and restoration of international order, thereby arresting the present trend toward international anarchy; that this Government advocates faithful observance of international agreements and adjustment of problems in international relations by processes of peaceful negotiation and agreement; that this Government, in the belief that a normal expansion of foreign commerce will improve world economic conditions, raise and enrich living standards, and promote better and more harmonious relations among nations, has pursued a trade policy the object of which has been and is to induce all countries to remove or lower restrictions upon the exchanging of goods in international trade; that the people of this country believe in and the American Government has always

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<sup>35</sup> The Department replied in telegram No. 394, November 20, 3 p. m.: "No objection. Please so proceed." For Ambassador Grew's interview on November 21, see *Foreign Relations, Japan, 1931-1941*, vol. I, pp. 806 and 808 (similarly reported in telegram No. 746, November 21, 8 p. m., not printed).

been guided by the principle of equality of commercial opportunity; that in our opinion an endeavor by any country in any part of the world to establish in favor of itself a preferred position in another country is incompatible with the maintenance of our own and the establishment of world prosperity; that we feel that no one government can with warrant expect to make its will and desires exclusive and conclusive throughout an important and extensive area of the world; and that we believe that an endeavor on the part of any government to do that, irrespective of the motive, is bound to be injurious not only to other countries but in the long run to its own country and itself.

HULL

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693.001/411a : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, November 22, 1938—7 p. m.

397. At the press conference today the Secretary, in reply to a question relating to the Japanese reply <sup>35a</sup> to our note of October 6,<sup>36</sup> stated that, of course, it would be apparent to the correspondents that the Japanese reply is not responsive to the position of this Government as set forth in our note of October 6 and to the general position which this country has consistently taken, throughout our history, with regard to American rights and interests not only in relations with China but in relations with all countries. Beyond this, the Secretary said, he preferred not to comment until the Department should have had more time to study the substance and implications of the Japanese note.

HULL

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693.001/411b : Telegram

*The Secretary of State to the Counselor of Embassy in China (Lockhart), at Peiping*

WASHINGTON, November 23, 1938—8 p. m.

305. The Department has found reports from the Embassy and consular offices in China in regard to matters involving American rights and interests to be of great value and assistance. With reference to the situation forming the subject of our note of October 6 and the Japanese reply thereto of November 18, the Department desires that it be kept currently and promptly informed through radio reports of specific instances, together with the circumstances thereof, of denial of equality of commercial opportunity to American con-

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<sup>35a</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 797.

<sup>36</sup> *Ibid.*, p. 785.

cerns and individuals and of unwarranted interference with American activity in China.

Sent to Peiping, Tientsin, Chefoo, Tsingtao, Shanghai, Nanking, Hankow and Canton. Repeated to Chungking for information.

HULL

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893.61331/132 : Telegram

*The Consul at Tsingtao (Sokobin) to the Secretary of State*

TSINGTAO, November 25, 1938—3 p. m.

[Received 7 : 37 p. m.]

23. Universal Leaf Tobacco Company case. After receiving some encouragement from Japanese Embassy officials in Peiping who indicated that the company could operate in Shantung tobacco market if it purchased \$200,000 Federal Reserve currency at the official rate of exchange, the company has been informed by the local Japanese Consulate General that such a small figure is not acceptable here and that \$1,500,000 should be acquired by the company at official rate of exchange. The company naturally refused to consider such an amount and has suspended negotiations. At present the firm can neither purchase tobacco nor can it ship its stocks from Tsingtao but confidentially it prefers for the time being to let the whole matter rest.

Repeated to Embassy and Department. Tokyo informed by mail.

SOKOBIN

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693.001/408 : Telegram

*The Consul at Tsingtao (Sokobin) to the Secretary of State*

TSINGTAO, November 26, 1938—7 p. m.

[Received November 27—9 a. m.]

24. 1. The Consulate is transmitting another statement from the American Chamber of Commerce in Tsingtao dealing with American interests and Japanese restrictions. After expressing appreciation for note of October 6 and the note in regard to the opening of the Yangtze, it requests that further representations be made to the Japanese Government in connection with "the restrictions, discriminations and interference" by Japanese authorities.

2. The statement points out that situation in respect to export trade remains unchanged for Americans while Japanese exporters are able to transact business with world markets at prices which necessarily must be based on counter rate of exchange and not on official rate of exchange. The difficulties of Universal Leaf Tobacco Company are also referred to.

3. The next section deals with the continued denial of use of wharves to ships other than those under Japanese registry.

4. The restrictions on shipment of produce from Tsingtao to other Chinese ports are dealt with. Permission to ship bristles is being refused altogether, while other commodities may be shipped if documents are handled by Japanese banks at official rate of exchange.

5. Attention is then drawn to difficulties of a local dairy in obtaining forage for the milk cows due to interference by Japanese military who require much feed for their horses.

6. In conclusion, the Chamber repeats the suggested American official action referred to in my telegram No. 1 of October 24, 3 p. m., third paragraph, and points out that Japanese firms continue to export staple products while Americans and other parties cannot make shipments.

Sent to Embassy. To Tokyo by mail.

SOKOBIN

693.001/412 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

ТокYO, December 1, 1938—3 p. m.

[Received December 1—12:42 p. m.]

759. Our 735, November 16, 11 p. m., and 744, November 19, 8 p. m. My British colleague has just furnished me with a copy of a memorandum of his conversation with the Minister for Foreign Affairs on November 24. The following is a summary:

1. With reference to the Japanese intention to set up a new order in China, Craigie gave Arita a memorandum designed to refute the suggestion implied in Arita's previous remarks that the British Empire could be regarded as an economic bloc in which Japan suffered trade discrimination. The memorandum contained figures demonstrating that the British Empire has been a vital factor in Japan's economic and commercial expansion.

2. Arita denied that Japan's objective was to close China to exports, but he emphasized Japan's intention to secure equal rights in the development [of] China's natural resources and to have raw materials available in territory from which she could not be cut off by belligerent action of third powers. Craigie asked if he could understand that the Japanese would refrain from discriminatory treatment of foreign trade by resort to such measures as differential tariffs, exchange control or barter arrangements, but Arita said that he hoped to reply to that question in the near future.

3. The conversation was to be regarded by both sides as purely unofficial and exploratory.

Repeated to Chungking.

GREW

893.515/1347

*The American Ambassador in Japan (Grew) to the British  
Ambassador in Japan (Craigie)* <sup>36a</sup>

Tokyo, December 7, 1938.

MY DEAR CRAIGIE: Conformably to the arrangement which we made by telephone, Mr. Williams <sup>36b</sup> conferred at length with Mr. Macrae <sup>36c</sup> with regard to the currency situation in North China and, as suggested in your letter of December 1, <sup>36d</sup> to the possibility of finding "any further method which may not yet have been tried for resisting" the currency and other measures which the Japanese are using to the detriment of foreign interests. I enclose a copy of a memorandum on this subject which Mr. Williams has now presented to me.

The facts are quite clear. These measures which are being taken in North China do not issue from a group of irresponsible Japanese officials in North China but are being promulgated with the cognizance and the approval of the Japanese Government. They are one of the means by which the so-called Continental Policy is being implemented, and for that reason I have not been too hopeful that the numerous representations which we have both made to the Japanese Government on this matter will lead to a substantial modification of the situation.

With regard to the question whether some way can be found to resist these measures, my views are substantially those outlined by Mr. Williams in paragraph numbered 7 of his memorandum. In my opinion, these problems of currency and of exchange are matters of general, and not specific, policy and they need to be "considered and dealt with inseparably from the entire Far Eastern question". It is possible that there may be available some way of purely local application by which the Japanese measures may be partially circumvented and the conditions in North China thus alleviated to some extent, but I believe that you will agree with me that our respective colleagues in China would be in a better position than we could be to determine whether anything practicable along those lines might be accomplished. You and I have discussed frankly the possibility of resort to more far-reaching measures in order to resist the further unfolding of Japan's ambitions in China, and I confirm the conclusion which I expressed to you orally during our conversation on December 5th, that, as I do not believe that anything short of force can

<sup>36a</sup> Copy transmitted to the Department by the Ambassador in Japan in his covering despatch No. 3553, December 23, 1938; received January 14, 1939.

<sup>36b</sup> Frank S. Williams, Commercial Attaché in Japan.

<sup>36c</sup> British Commercial Secretary in Japan.

<sup>36d</sup> Not printed.



lead to substantial moderation of Japanese policy in China, I cannot conscientiously recommend to my Government recourse to economic sanctions.

Sincerely yours,

JOSEPH C. GREW

[Enclosure]

*Memorandum by the Commercial Attaché in Japan (Williams) to the Ambassador in Japan (Grew)*

TOKYO, December 6, 1938.

With reference to the letter addressed to you under date of December 1, 1938, by His Excellency, the British Ambassador,<sup>360</sup> concerning the gradually increasing pressure being exercised by the Japanese authorities in North China to the detriment of foreign interests, I have the following comments to make on the currency and exchange situation in so far as it affects American interests.

1) You will remember that Japan's reply to our Note of October 6th evades the control of foreign trade and foreign exchange transaction issues as raised in our Note, but deals chiefly with the necessity of establishing the Federal Reserve Bank notes as the compulsory currency in North China and the elimination of the "fapi" or Chinese notes as currency.

2) As a forward step towards accomplishing this, the Japanese have, I am informed on good authority, been exchanging the FRB notes in North China for "fapi" and using the latter in the Shanghai market to purchase foreign exchange under the limited weekly allotment allowed by the Chinese authorities for legitimate commercial purposes—this allowance being extended even to Japanese. The pressure so exerted on the Chinese currency has been largely responsible for its drop of 40% in terms of Sterling and the United States Dollar (from 1/2½d. and 29½¢ to 8d. and 16¢).

3) Traders in China, including Chinese and Japanese, have no confidence in the FRB notes as these have no gold reserves or foreign currency backing except certain arrangements with Japanese banks.

4) The prevailing low exchange value of "fapi" has increased the cost of foreign imports other than Japanese into China by approximately 40%, but the use of FRB notes at par with "fapi" or even at the present 10% discount in North China enables importers to obtain Japanese goods in that area for practically the same price as paid before the China hostilities began. In other words, the market in North China is at present, to all intents and purposes, the same as the domestic market in Japan and is destined to become even more so as time goes

<sup>360</sup> Not printed.

on unless, of course, something is done to stop these inequitable practices. Furthermore, unless the FRB notes have a foreign exchange value and the Japanese allow foreign exchange coverage to American traders, our foreign import business will eventually be cut to a very small figure or cease altogether.

As an indication of the extent to which Japan's trade is profiting in North China from virtually exclusive or preferential transportation rights and facilities and a 40% price differential, Japan has exported to that area during the first ten months of 1938 Yen 156,654,000 worth of goods against Yen 64,521,000 for the corresponding period of 1937 and Yen 46,228,000 for the same period in 1936. These figures represent an increase of 142.8% over 1937 business and 238.9% over 1936.

5) Prices of North China export commodities to foreign buyers have risen commensurate with the fall of the "fapi", but the Japanese control prices and use FRB notes to pay for such goods on the basis of Yen 1.00 for one FRB Yuan. No foreign exchange is involved. On the other hand, foreign exporters must supply foreign exchange at open market or arbitrary rates, thus making their prices prohibitive. In addition these foreign merchants must pay open market exchange rates on imports which likewise results in prohibitive prices in competition with the Japanese.

From these few facts it is quite discernible that the Japanese are gradually but surely closing the open door.

6) It is quite likely that the Japanese military authorities will enforce acceptance of the FRB notes in North China by March 10, 1939, but if this is done it can be assumed from the statements made in the second and third sentences of the fifth paragraph of the Japanese Government's reply to our Note of October 6th that the Japanese Government is not only countenancing but most probably initiating such a step. (As a matter of possible interest to you, in the discussions of the question of Nationalist currency in China by the tripartite conference composed of representatives of Japan, "Manchoukuo" and China last week in Osaka, the spokesman of the Peking regime reportedly counseled against taking any strong measures to eliminate it from circulation as he stated that it has much to do with the welfare of the people in general. Apparently this attitude reflects that of the people of North China.)

7) As to what methods should be used for resisting this and other measures mentioned by the British Ambassador, it seems to me that this must be considered and dealt with inseparably from the entire Far Eastern question. The matter of exchange, currency and trade control is merely a branch of the now, let us say, half grown tree "Changed Conditions in Asia," whose roots run deep into the Asiatic continent. If any pruning is to be successfully accomplished the roots must first

be properly treated. My personal opinion is that only measures envisaging extremely drastic steps backed by the determination to resort to military and naval force, if necessary, will cause Japan to deviate from her determination to exercise full and complete economic control of China.

FRANK S. WILLIAMS

693.001/423 : Telegram

*The Consul at Chefoo (Roberts) to the Secretary of State*

CHEFOO, December 12, 1938—3 p. m.

[Received December 12—6 a. m.]

6. Referring to the Department's telegram No. 2, November 23, 8 p. m.,<sup>37</sup> concerning interference with American commerce. The Japanese Consul has informed Consulate that the Japanese Navy, effective December 5, removed restrictions on the shipment of foodstuffs, clothing, shoes and fuel from Chefoo to the interior and coastal ports of Shantung. The Japanese Naval authorities state that "fuel" includes kerosene, gasoline and oil products and that shipments of these articles may be made to guerrilla controlled interior destinations without restrictions. This action removes the major restriction on American trade in this consular district.

Repeated to Peiping, Chungking, Tsingtao and Shanghai.

ROBERTS

893.102 Tientsin/204 : Telegram

*The Consul General at Tientsin (Caldwell) to the Secretary of State*

TIENTSIN, December 13, 1938—8 p. m.

[Received December 13—3 p. m.]

228. Late this evening I received communication from Japanese Consulate General requesting me as Senior Consul to inform colleagues that

"In view of the increasing activities of the anti-Japanese and communistic elements in and around Tientsin, the Japanese military authorities have decided to commence as from the 14th December the investigation of Chinese who may pass through the barriers placed on Yamaguchi Road, Asahi Road, Fuyo Road, and the north side of the International Bridge. Foreigners who wish to pass these barriers are advised to be in possession of passports in order to avoid unnecessary trouble."

<sup>37</sup> See telegram No. 305 of the same date to the Counselor of Embassy in China, p. 96.

In view of short notice it has been impossible to consult all my colleagues but I have discussed matter with my French and British colleagues and we do not propose to advise our nationals in the sense requested pending negotiations.

CALDWELL

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693.001/423 : Telegram

*The Acting Secretary of State to the Consul at Chefoo (Roberts)*

WASHINGTON, December 15, 1938—1 p. m.

4. Reference your No. 6, December 12, 3 p. m. The Department desires that you follow the situation closely and that you report promptly by telegraph whether or not the restrictions have in actual practice been removed.

WELLES

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893.102 Tientsin/204 : Telegram

*The Acting Secretary of State to the Consul General at Tientsin  
(Caldwell)*

WASHINGTON, December 15, 1938—4 p. m.

110. Your 228, December 13, 8 p. m. For your guidance in giving further consideration to this matter, the Department offers comment as follows: Inasmuch as (1) Japanese military control of all areas of the city other than the British, French and Italian Concessions is a fact which cannot be ignored; (2) facilitation of the movements of American nationals is a primary consideration to be taken into account; and (3) production of passports or identifying documents is a procedure with which American nationals can with reasonable ease comply, it is suggested that American nationals might find it advisable and convenient, as a matter of expediency, voluntarily to comply with the advice of the Japanese authorities.

A procedure somewhat similar in character to that described in your telegram has been instituted by the Japanese authorities in Shanghai and Hankow and American nationals in those cities are endeavoring to conform thereto.

Please send copies of your telegram under reference and this telegram to Peiping and ask Peiping to send you a copy, for information and guidance, of the Department's 11, November 8, 6 p. m., to Hankow.<sup>38</sup>

WELLES

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<sup>38</sup> *Post*, p. 529.

893.102 Tientsin/206 : Telegram

*The Counselor of Embassy in China (Lockhart) to the Secretary of State*

PEIPING, December 18, 1938—midnight.

[Received December 18—8 a. m.]

Our 727, December 17, 3 p. m.<sup>39</sup> Following from Tientsin :

"December 17, 6 p. m. Embassy's December 17, 1 p. m. Today streets between British Concession and first Special Area were closed by barriers. Americans with passports and some Chinese were able to pass, but many Chinese employees of American firms were unable to reach their places of employment. No notice of this closing was given and there is such confusion that it is impossible to ascertain now precisely what are the restrictions imposed by the Japanese Army. Further information and replies to the Embassy's questions will be telegraphed as soon as possible."

LOCKHART

693.001/437a : Telegram

*The Acting Secretary of State to the Secretary of State, Temporarily at Lima*<sup>40</sup>

WASHINGTON, December 20, 1938—5 p. m.

76. 1. The Department has practically completed its study of the Japanese Government's reply of November 18 to this Government's note of October 6 on the subject of American rights and interests in China and has prepared a draft rejoinder which is summarized below in paragraph numbered 2.

2. The Government of the United States reaffirms its opinion that imposition of restrictions upon activities of American nationals engaged in educational, philanthropic and commercial endeavors is unquestionably discriminatory against legitimate American interests. Further, the plans and practices of the Japanese authorities in regard to exchange control, compulsory currency circulation, tariff revision, and monopolistic promotion imply that the Japanese Government or Japanese-controlled regimes are entitled as by right of sovereignty to disregard the established rights and interests of other countries, including the United States. The Government of the United States is convinced that the restrictions and measures under reference are unjust, unwarranted and counter to treaty provisions binding on both Japan and the United States.

The American Government in its note of October 6 requested that the Japanese Government carry out its reiterated assurances to observe the principle of equality of opportunity and abide by its treaty obliga-

<sup>39</sup> Not printed.<sup>40</sup> The Secretary of State was Chairman of the American delegation at the Eighth International Conference of American States.

tions. In its reply the Japanese Government apparently regards observance of that principle as conditioned by a "new order" and a "new situation" in the Far East.

This country's adherence to and advocacy of the principle of equality of opportunity does not result solely from a desire to obtain commercial benefits but primarily from a conviction that observance leads to economic and political stability and promotes the opening of trade channels with mutually and reciprocally beneficial results.

The American people and their Government could not assent to the establishment, at the instance of and for the special purpose of any third country, of a regime which would arbitrarily deprive them of rights which are legally and justly theirs.

The American Government cannot accept the implication that enjoyment of equality of opportunity is to be contingent upon its admission of the validity of the conception of Japanese authorities of a "new order" and a "new situation" in East Asia.

Fundamental principles such as that of equality of opportunity are not subject to modification by a unilateral dictum.

The Japanese Government has in various international agreements and understandings committed itself to the observance of the principle of equality of economic opportunity and has frequently insisted upon its observance by other nations.

The position of the American Government on the subject of revision of agreements is recalled to the Japanese Government by the quoting of two passages from this Government's note to Japan of April 29, 1934,<sup>41</sup> and one passage from the Secretary's statement of July 16, 1937.<sup>42</sup>

The American Government has always regarded agreements as susceptible of amendment but has always insisted that only by orderly processes among the parties thereto can changes rightfully and lawfully be made, views to which the Japanese Government has upon numerous occasions subscribed.

The Government and people of the United States cannot assent to the termination of the provisions of treaties to which this Government is party or of rights and obligations thereunder by the arbitrary action of any other country.

The American Government is now, as always, prepared to consider any just and reasonable proposals envisaging the resolving of problems in a manner fair to all directly concerned by processes of free negotiation and new commitment. The Japanese Government has had and continues to have opportunity to make such proposals, which this Government has been and continues to be willing to discuss, if and when put forward, at whatever time and in whatever place may be agreed upon, with representatives of the other powers, including Japan and China, whose rights and interests are involved.

3. The President heartily favors the sending of such a note and approves the substance of the draft. Since its note of November 18, the Japanese Government has proceeded steadily with its plans for

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<sup>41</sup> See telegram No. 59, April 28, 1934, 7 p. m., to the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 231.

<sup>42</sup> *Foreign Relations, 1937*, vol. I, p. 699; *Foreign Relations, Japan, 1931-1941*, vol. I, p. 325.

economic control in China and has shown no moderation of its attitude toward American rights and interests in China, which continue to be impaired. The Japanese Foreign Minister has suggested to Ambassador Grew that further exchanges of views between our two governments be oral. However, the Japanese Government, after each conversation between the Foreign Minister and Grew on the general subject of American rights and interests in China, has inspired statements in the Japanese press in outline and support of the Japanese Government's views in regard to the proposed "new order" in East Asia. On December 19 the Japanese Foreign Minister issued to the press a formal statement expository of the Japanese Government's views.<sup>43</sup> These statements have appeared in a number of the leading papers in this country, and so far this Government has taken no action to refute them. We therefore feel that the sending of this rejoinder to the Japanese Government would serve a very useful purpose in clarifying our position both to our own people and to the Japanese Government. We incline to the view that it would be well to present the rejoinder to the Japanese Government at an opportune moment, perhaps within the next 10 days. I should greatly appreciate your comments and suggestions.<sup>44</sup>

WELLES

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693.001/433 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, December 20, 1938—7 p. m.  
[Received December 20—11:25 a. m.]

794. 1. The Foreign Minister's statement yesterday<sup>43</sup> to the correspondents, which has undoubtedly been reported in the press, was a mimeographed release in English, copy of which was supplied today to the Embassy by the Foreign Office. The statement is in general a summation of the position taken by Arita in his talks with Dooman and with me as reported in the Embassy's despatch 3455, November 25<sup>45</sup> and in his talks with Craigie as reported in various of our telegrams, with some refinements of phraseology, worth noting. [Here follows a report on the statement.]

2. The Foreign Minister's statement is of very little value in forecasting the specific decisions which must affect particular rights and interests in China. It is our opinion that the confining of the state-

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<sup>43</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 816.

<sup>44</sup> The Secretary replied in telegram No. 57, December 23, 8 p. m.: "Draft seems adequate and I have no special comment to offer." (693.001/438.)

<sup>45</sup> Despatch not printed; for memoranda of November 19 and 21, see *Foreign Relations, Japan 1931-1941*, vol. I, pp. 801, 806, and 808.

ment to generalities and the scrupulous avoidance of commitment on specific foreign rights and interests in China, which might be regarded as falling outside the Japanese economic defense program, is a matter of deliberate policy, a primary motive of which is to keep a free hand for any subsequent discussions or negotiations which may occur. Even if the contemplated system of control is envisaged in some detail the Japanese Government would obviously be in a stronger negotiating position later if such decisions were not already divulged.

3. The statement's careful avoidance of the formulas which have previously defined principles applicable to the relations of foreign countries with China undoubtedly reflects a calculated determination on the part of the Japanese. The statement is in no respect substantially new. It represents a trial, on the press, of ideas which the Japanese Government has already presented in only slightly different forms.

4. Comment by Arita at the same press conference provoked by questions with regard to the recent credit to China was characterized in telegram 793, December 19, 6 p. m.<sup>46</sup>

Cipher text by mail to Shanghai.

GREW

693.001/435 : Telegram

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

CHUNGKING, December 21, 1938—10 a. m.

[Received 4:44 p. m.]

609. Following are pertinent extracts from Central News release Chungking dated December 20:

"The contention made by Mr. Arita, Japanese Foreign Minister, [that] the provisions of the Nine Power Treaty are no longer applicable due to changed circumstances is entirely unfounded both factually and juridically, declared the Waichiaopu<sup>47</sup> spokesman when interviewed this afternoon.

The changed circumstances referred to by Mr. Arita, continued the spokesman, were brought about by Japan's forcible encroachments upon China's integrity in recent years and by her closing of the Open Door in certain areas of China.

These were exactly circumstances which the Nine Power Treaty was designed to prevent but which had been brought about by Japan in violation of the treaty, said the spokesman, adding that a treaty could not be considered inapplicable simply because of violations by one of its signatories.

Commenting on Japan's objection to the British and American loans to China, the spokesman said Japan had no ground for raising any objection in this matter.

<sup>46</sup> Vol. III, p. 589.

<sup>47</sup> Chinese Foreign Office.



Even if the American and British loans were intended as political gestures against Japan, as Mr. Arita thought they were, such gestures were justified and represented the minimum of action open to the powers, said the spokesman after referring to Japan's 'treaty-breaking activities and destruction of foreign rights and interests in China'.

Commenting on Mr. Arita's avowed solicitude for the welfare of third-party nationals in China, the spokesman said the 'embarrassments and inconveniences' caused to them by the hostilities were directly attributable to Japan's aggression in China. Consequently, if Mr. Arita were really sincere in his professed anxiety to third-party nationals regarding 'embarrassments and inconveniences', he should move to stop his country's aggression.

Concerning the third point made by Mr. Arita that the establishment by so-called economic bloc between Japan, China and 'Manchukuo' would not hamper foreign interests in China, the spokesman contended that this was disproved by the whole train of events since 1931.

Inasmuch as the Japanese proposal of such a tripartite bloc of 'new order' in eastern Asia was aimed at the establishment of Japan's hegemony in eastern Asia, said the spokesman, it was in direct conflict with foreign rights and interests in eastern Asia."

PECK

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893.102 Tientsin/214 : Telegram

*The Counselor of Embassy in China (Lockhart) to the Secretary of State*

PEIPING, December 23, 1938—5 p. m.  
[Received December 24—7 : 30 a. m.]

741. Your 321, December 15, 7 p. m., and Peiping's 727 December 17, 3 p. m., and 734, December 21, 2 p. m., and Tientsin's 233, December 22, 10 a. m. [*p. m.*]<sup>49</sup> Following from Tientsin :

"December 22, 4 p. m. Embassy's December 17, 1 p. m. I am still unable to ascertain precisely what restrictions on the movements of Americans and American cargo are enforced by the Japanese military at the present time, although I have questioned Consul General Tashiro yesterday following his return from Japan, and in his absence Consul Tanaka, and have written to Consul General Tashiro asking for information as to the precise nature and purpose of these restrictions, his written reply having stated merely that the measures taken 'have not been adopted to restrict the movements of American citizens but only to inspect those Chinese who pass these barriers in an effort to curb the activities of anti-Japanese and communistic elements. Orders have been given to hinder the movements of citizens and subjects of other countries as little as possible, but to our great regret it is inevitable that such citizens and subjects sometimes experience inconveniences and delay when passing points where inspection of Chinese is being carried on.'

<sup>49</sup> None printed.

It is impossible to predict with any certainty what would be involved in 'isolation' of the American industries, but it might be of interest in this connection to know that Consul General Tashiro voluntarily called on me yesterday to discuss the inconveniences being suffered by Americans, for which he expressed regret and which he is evidently disposed to remedy so far as lies within his power, and that the Japanese military complied with our request that the barrier at the race course road corner of the marine barracks be removed into the first Special Area beyond the barracks gate, leaving the barracks unobstructed entrances both from the British Concession and first Special Area.

The third section of this telegram has been drafted on the assumption that in case of 'isolation' of the American industries American nationals could pass the barriers both in and out, and that foodstuffs could come in; but that Chinese and commercial cargo could not pass in or out, that the customhouse would be moved outside the Concessions, and that there would be exchange control.

The nature and extent of American interests in the British and French Concessions at Tientsin are (1) an American investment estimated at more than \$12,000,000 local currency including land, buildings, machinery and equipment, stocks of merchandise, unregistered loans and mortgages; (2) the business turnover of American firms in the concessions covers, roughly estimated \$200,000,000 local currency, about half of which is business conducted by the two American banks; (3) trade with the United States handled by non-American firms (little of which is done by Japanese firms) conservatively estimated at \$50,000,000 local currency in the current year.

The American interests in the British and French Concessions include: 2 banks, 2 petroleum companies, 2 dye houses, 4 motor dealers, 2 woolen mills, more than 20 fur exporters, and several general import-export firms, real estate companies and other enterprises. American citizens reside in these two Concessions.

All important American business firms in Tientsin, in reply to inquiries made by this Consulate General, have expressed the opinion that isolation of the Concessions by the Japanese would stop all American business at least temporarily or permanently as it would be very difficult if not impossible to conduct business activities outside the Concessions and certainly impossible to continue business activities from within the Concessions as the firms would be unable to maintain their contacts with Chinese customers and also would not be able either to receive or deliver cargo. The Consulate General concurs in these views.

The effect of the steps already taken by the Japanese is reported by Americans as being not extremely grave. Some difficulties are reported in connection with passing cargo out of or into the Concessions to or from Japanese-controlled areas resulting in delays and increased expense; a certain amount of difficulty and delay was reported in connection with Chinese office employees and laborers who live outside the Concession reaching American offices and shops in the Concession; and a diminution of all business is reported due to the prevailing uncertainty as to the immediate intentions of the Japanese military.

The above refers only to the British and French Concessions, but it should be borne in mind that the installations of the Standard and Texas Oil Companies and other American properties in the third

Special Area for some time have continued to become increasingly inaccessible owing to restrictions on the movements of personnel and merchandise imposed by the Japanese *gendarmerie* presumably owing to the great amount of military stores in that area and the frequent fires in such stores, it being now impossible for persons residing at the installations to move in or out of the area at night, and difficult for the trucks of the companies to travel through the area even in daylight.

Sent to Peiping, repeated to Chungking."

It is difficult to draw the dividing line between bona fide restrictions to curb aid to guerrillas and the imposition of restrictions designed to prevent normal trade activity. There are so many outward signs, however, studied plan intended gradually to stifle the business activities of third powers protected in China that there seems little likelihood that the Tientsin restrictions will be removed in the immediate future or even to any appreciable extent. Certainly this has not been done in Shanghai. But the restrictions from which businessmen in Tientsin will suffer most in the aggregate will not be those now being imposed and against which complaint is made. They as well as American businessmen in other parts of China will suffer more from embargoes of various kinds, both import and export, stringent exchange regulations, discriminatory practices, transportation and other monopolies and in general the conduct of competitive business with a low overhead and through Chinese connections. The German businessman will suffer along with the individual American and British businessman and this condition may obtain for some time. There are some however who hold that in the ultimate American trade as a whole may not suffer as much as the present trend might lead one to believe but this is debatable and only the passage of time will reveal whether the theory is sound. It might well prove to be true in certain lines of trade such as automobiles, airplanes and certain kinds of railway equipment. The coming year should definitely determine whether American trade will be able to survive in Tientsin and other parts of China.

Code text by mail to Chungking, Shanghai, and Tokyo.

LOCKHART

693.001/464

*The Ambassador in Japan (Grew) to the Secretary of State*

No. 3535

TOKYO, December 23, 1938.

[Received January 9, 1939.]

SIR: In the weeks since the Embassy's despatch 3455 of November 25, 1938,<sup>50</sup> there have been two Japanese public statements of im-

<sup>50</sup> Not printed.

portance to American interests in China. The earlier is Foreign Minister Arita's statement to the press on December 19, and the more recent is Prime Minister Konoe's statement of December 22.

Mr. Arita's December 19 statement as mimeographed in English and distributed by the Foreign Office is the first enclosure herewith<sup>51</sup> (Embassy's telegram 794, December 20, 7 p. m.). It is mainly a summation, for the press, of views already made known to us through conversations with the Foreign Minister and through other channels. The statement should be regarded as one more step by Japan in the effort, still in flux, to project general convictions of policy gradually forward toward questions of their application; and, viewed in terms of practical application, the statement is not very helpful as indication of treatment to be expected by American interests in China.

The self-sufficient-economic-unit argument is put forward in defense of a tripartite unitary relationship between Japan, "Manchukuo," and China; but the assertion is made (as in Mr. Arita's conversations with the British Ambassador) that "the proposed unit in East Asia is by no means to be a system of closed trade." Adherence by Japan in the past to the principle of equality of commercial opportunity is affirmed, and it is stated that Japan still "upholds the freedom of economic activity in all parts of the world as a matter of principle." Reference is made to a necessity for the imposing upon the economic activities of other powers of "restrictions dictated by the requirements of the national defense and economic security of the countries grouped under the new order." The conviction is expressed that the new order "would by no means entail any diminution of the trade between that group and other countries." (This last statement should be carefully noted. The release includes no assertion that foreign trade in China itself is expected to maintain its past volume; reference is only to the total of trade with the group.)

Remarks made by Mr. Arita to the foreign correspondents in response to questions posed by them at the press conference of December 19 are of interest, though lacking the authority of the prepared written release. The second enclosure herewith<sup>51a</sup> embodies a newspaper report of the questions and answers. Invited to indicate what kinds of foreign economic activity in China might be considered subject to restrictions dictated by the requirements of national defense and economic security, the Foreign Minister was elusive. On the subject of inapplicability of certain provisions of the nine power pact he added nothing new but admitted that some provisions of the treaty of Portsmouth<sup>52</sup> might similarly be inapplicable under present condi-

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<sup>51</sup> *Foreign Relations, Japan, 1931-1941*, vol. 1, p. 816.

<sup>51a</sup> Not printed.

<sup>52</sup> Treaty of peace between Japan and Russia, signed September 5, 1905, *Foreign Relations, 1905*, p. 824.

tions. The Foreign Minister declined to engage in a discussion as to whether other countries are at liberty to denounce certain articles in their commercial treaties with Japan. To the next questions he gave it as his opinion that extraterritoriality will gradually be abolished, that abolition of foreign concessions will depend on developments, that all restrictions to which modern states are not subjected will gradually be abolished. Replying to an enquiry as to whether the Foreign Minister's statement means the eventual return to China of such foreign possessions as Macao and Hongkong he said that he does not think concessions such as those mentioned could be taken to be implied in his statement. On the subject of a recent American loan to a corporation trading with China Mr. Arita made several comments reported elsewhere (despatch 3536, December 22, 1938<sup>53</sup>). On relations with the Soviet Union he refused to go into details.

The statement by the Premier of December 22 is of more basic importance. This also was mimeographed in English by the Foreign Office, and copy as received from the Foreign Office is enclosed herewith.<sup>54</sup> The statement is in the form of a declaration of what Japan demands of China. The introductory paragraphs repeat sentiments expressed before, and the demands are then led up to: (1) Japan desires China to enter of her own will into complete diplomatic relations with "Manchukuo"; (2) Japan considers it an essential condition of the adjustment of Sino-Japanese relations that there be concluded an anti-comintern agreement between the two countries in consonance with the spirit of the anti-comintern agreement between Japan, Germany, and Italy;<sup>55</sup> (3) Japan demands that Japanese troops be stationed, as an anti-comintern measure, at specified points during the time the agreement is in force, and also that the Inner Mongolian region be designated as a special anti-comintern area; (4) Japan demands that China recognize freedom of residence and trade on the part of Japanese subjects in the interior of China with a view to promoting the economic interests of both people; and (5) Japan demands that China extend to Japan facilities for the development of China's natural resources, especially in the regions of north China and Inner Mongolia. The pronouncement refers to Japanese respect for the sovereignty of China and states that Japan is prepared to give positive consideration to abolition of extraterritoriality and return of the concessions. In the course of the declaration it is stated that Japan does not intend to exercise economic monopoly in China nor does she intend to demand of China to limit the interests of those foreign pow-

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<sup>53</sup> Not printed.

<sup>54</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 482.

<sup>55</sup> See *Foreign Relations, 1937*, vol. I, pp. 605 ff.

ers who grasp the meaning of the new order and are willing to act accordingly.

A newspaper report of the statement is also enclosed.<sup>56</sup>

The Premier's statement is no doubt destined to play an important part in the development of Japanese policy in China. It amounts to a 1938 model of the twenty-one demands.<sup>57</sup> Strong as it is, it can not be said to be surprising to those who have been following Japanese affairs in the recent past. The point of particular significance to foreign interests with regard to the statement is that it is unquestionably considered by the Japanese as conservative. It has very little to say about the treatment which foreign interests are expected to be accorded in China, and throws very little light on that subject.

Respectfully yours,

JOSEPH C. GREW

893.515/18531

*The Chinese Embassy to the Department of State*

TEXT OF A CABLEGRAM RECEIVED FROM HIS EXCELLENCY DR. H. H. KUNG, PRESIDENT OF THE EXECUTIVE YUAN, CHUNGKING, CHINA<sup>58</sup>

The Chinese and Foreign Governments interested in trade and investment in China, have common interest in maintenance of the Chinese Currency in the areas for the time being occupied by the Japanese. This Currency is preferred over the Japanese controlled currency both by the Chinese public and foreigners (other than Japanese) not only because of the position which the Chinese Currency has enjoyed and the dislike of alien currency sought to be foisted upon China, but because a free exchange market exists for trade and legitimate personal operations in the occupied areas.

If the Japanese controlled currency should supplant the Chinese one in these areas, the Japanese could both finance thereby their political, financial and economic enterprises and could exert a strangle hold upon the foreign and Chinese activities to the extent that their control could be maintained. It seems inevitable that they would introduce currency and trade control like that enforced in Japan and China's northeastern provinces. Under such a regime individual exchange transactions could take place only with the consent of the Japanese authorities or their agents. This would effectively close the door to freedom of economic opportunity and be contrary to the rights and interests of foreign nationals.

<sup>56</sup> Not printed.

<sup>57</sup> For correspondence concerning the Japanese demands of 1915, see *Foreign Relations*, 1915, pp. 79 ff.

<sup>58</sup> Copy handed to the Chief of the Division of Far Eastern Affairs by the Counselor of the Chinese Embassy, December 28.

Further Japanese action against the Chinese Currency is expected soon as the Japanese measures of last March contemplated that the Chinese Currency should not circulate in North China after a year. The Chinese Government taking such action as is possible to maintain the position of the Chinese Currency can do little at present to combat the Japanese controlled currency in the occupied area. The Chinese Government therefore earnestly hopes that the American Government will take such action as it may find practicable to oppose (1) further progress of the Japanese controlled currency, for example, acceptance for official use in Concessions and Settlements and (2) measure[s] to force the Chinese Currency from circulation and to prevent its use to pay for export goods.

WASHINGTON, December 23, 1938.

693.001/418

*The Acting Secretary of State to the Consul at Tsingtao  
(Sokobin)*

WASHINGTON, December 28, 1938.

SIR: Reference is made to your despatch No. 244 of October 27, 1938, transmitting a statement of the American Chamber of Commerce at Tsingtao addressed to the Secretary of State, entitled "Restriction of American Trade in Tsingtao as compared with Japanese trade".<sup>58a</sup> It is desired that you make appropriate acknowledgment to the Chamber of Commerce stating that the views expressed in its statement are receiving the Department's careful consideration.

In addition to this acknowledgment it is suggested that when a suitable opportunity is presented you make a specific reply informally and tactfully to the request of the Chamber of Commerce for advice as to action Americans should take in the event their rights and interests encounter certain types of interference by local Japanese authorities. You should point out that when American rights and interests are violated the persons representing these interests should as promptly as possible report the violations to an American diplomatic or consular officer who will take appropriate action. The nature of this action will, of course, depend entirely upon the circumstances of each individual case. When violations of American rights and interests are reported to the Department or to its representatives in the field the Department, either directly or through these representatives, takes all appropriate steps warranted by the circumstances with a view to obtaining full respect for the affected American interests.

Very truly yours,

SUMNER WELLES

<sup>58a</sup> Neither printed.

693.001/448 : Telegram

*The Consul at Chefoo (Roberts) to the Secretary of State*

CHEFOO, December 29, 1938—3 p. m.  
[Received December 29—11:20 a. m.]

8. Referring to the Department's telegram No. 4, December 15, 1 p. m., Standard Vacuum Oil Company and Texas Oil Company report local sales are increasing due to the fact that small quantities of petroleum products are leaving Chefoo overland for interior. The Asiatic Petroleum Company, a British corporation, reports two shipments have been held up by the authorities. The American companies find inland dealers are not ordering kerosene at Chefoo as there appears to be ample supplies of contraband oil, probably from Dairen, in their possession, selling below prices here.

Repeated to Peiping, Tsingtao, and Chungking.

ROBERTS

693.001/449 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, December 31, 1938—noon.  
[Received December 31—12:55 a. m.]

816. Your 430, December 29, 4 p. m.<sup>59</sup> Decoding telegram and preparation note completed late last evening when all Foreign Office officials had dispersed. In fact we were unexpectedly informed that the Foreign Office had closed for the holidays on December 28 and that the Foreign Minister had already left town.

However, I managed to see the Vice Minister at his residence at 11:30 this morning and presented our note No. 1153, dated December 30 addressed to the Minister for Foreign Affairs<sup>60</sup> embodying the Department's precise text. I asked the Vice Minister to regard the note as having been presented to the Minister for Foreign Affairs himself. I also informed him of the desirability of making the text of the note public in the United States at the first opportunity and of the reasons for such publicity.

Sawada said that the note would be handed to the Minister for Foreign Affairs at the earliest moment, probably tomorrow. He made no further comment.

GREW

<sup>59</sup> Not printed.

<sup>60</sup> *Foreign Relations*, Japan, 1931-1941, vol. I, p. 820.



AMERICAN INTEREST IN JAPANESE DEMANDS AFFECTING THE INTEGRITY OF THE INTERNATIONAL SETTLEMENT AT SHANGHAI<sup>61</sup>

893.102S/1575: Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, January 5, 1938—9 a. m.

[Received 9:25 p. m.]

15. Japanese Consul General<sup>62</sup> called on Chairman [of] Municipal Council<sup>63</sup> yesterday noon accompanied by military and naval representatives and presented three memoranda which may be summarized as follows:

(1) Recent bombing incidents in the Settlement are attributed to inefficacy of efforts of municipal authorities and Japanese expeditionary forces feeling that municipal authorities lack earnestness or ability in meeting their demand for the suppression of anti-Japanese elements "will be forced to take steps as the occasion requires to ferret out" and extirpate such elements. Council is asked to take measures to eradicate anti-Japanese elements and to exercise rigid control of anti-Japanese newspapers. As an essential means of promoting the desired object, the Council is asked to raise the positions and authority and to increase the number of Japanese in the police and to place Japanese in controlling positions in all important matters of the Council.

(2) Chinese Chamber of Commerce, general Labor Union and Citizens Federation having publicly opposed organization of Shanghai Citizens Association (see paragraph 2 of my telegram No. 4, January 2, 1 p. m.<sup>64</sup>) and having long been engaged in anti-Japanese agitation, the Council should take immediate steps to require them to retract their opposition by public advertisement and Council should place those organizations under rigid surveillance.

(3) This memorandum details desires concerning police including merging of the Japanese branch with the foreign branch, Japanese to be on same footing as foreigners as to rights, authority, control, et cetera, according to respective ranks, Japanese to be detailed to conduct investigations in all cases directly or indirectly involving Japanese interests, a high Japanese police officer to be appointed next to the Commissioner and the present Japanese Deputy Commissioner to be given charge of the districts north of the Creek with Japanese in charge of stations and divisions, and strength of Japanese force to be increased throughout all ranks.

2. Japanese Consul General stressed desire that a Japanese be appointed Secretary of the Council to rank with the present British Secretary. He did not detail requirements as to Japanese representation in other departments of the Council.

<sup>61</sup> For previous correspondence, see *Foreign Relations*, 1936, vol. iv, pp. 685 ff.

<sup>62</sup> Suemasa Okamoto.

<sup>63</sup> Cornell S. Franklin, American lawyer.

<sup>64</sup> Not printed.

3. On the control of anti-Japanese newspapers the Japanese Consul General complained of one American incorporated and one American owned Chinese newspaper not registered at this Consulate General. Chairman of Council referred him to me. Japanese Consul General saw me several days ago and was told we could not compel these papers to submit to Japanese censorship but he could refer to me any objectionable articles which I would if necessary refer to the United States Court for China.

4. Chairman of Council is informing Japanese Consul General that the matters raised require serious consideration and that the consular representatives of the interested powers are being informed of what has taken place. Japanese released information in memoranda 1 and 2 at press conference last evening.

Sent to the Department. Repeated to Hankow and Peiping.

GAUSS

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893.102S/1581 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, January 9, 1938—6 p. m.

[Received January 9—4: 10 p. m.]

47. Reference my No. 15, January 5, 9 a. m. Japanese Consul General called on me today and said that press reports are giving the erroneous impression that the Japanese are demanding complete domination and control of the Shanghai Municipal Council, whereas their desire is for closer cooperation and the sharing of responsibility in the present situation by an increase in the number of Japanese police, higher rank and increased authority for Japanese police officers, and the appointment of a Japanese Secretary of the Council who with the American Secretary-General and the British Secretary would participate in all important decisions and action. I pointed out that the Japanese demands which had been made known to the press by their own spokesman had created a most unfavorable atmosphere for any negotiations or discussions at this time, that the matter must be carefully studied, that some of my colleagues may be under the necessity of referring it to their home governments and awaiting instructions, and that in any event the Council itself is without authority heavily to increase the budget without the approval of the revenue payers, so that the matter is not one which can be settled immediately.

2. I pointed out that the districts north of the Creek had not yet been fully returned to the administration and control of the Council and that there are press reports of repeated attacks on police officers and firemen by the Japanese troops. I suggested that these

matters should be corrected by the Japanese and a better atmosphere created for the consideration of proposals for their increased cooperation in the Municipal Administration.

3. I am personally of the opinion that it may be possible in due course, if a more friendly atmosphere can be created, for the Council to meet the Japanese in a reasonable measure as, for example, by appointing a Japanese Associate Secretary or Counselor to maintain liaison with the Japanese authorities, the appointment of an additional Japanese Deputy Commissioner of Police, and by some reasonable increase in the number and rank of Japanese members of the police force. We should object, however, to any proposal to place all districts north of the Creek under the control of Japanese police officers.

Repeated to Peiping and Hankow.

GAUSS

893.1028/1587 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, January 10, 1938—6 p. m.

[Received January 10—4:45 p. m.]

50. Reference my No. 15, January 5, 9 a. m., regarding Japanese demands on the Municipal Council. In a letter to the Senior Consul the Italian Consul General agrees completely with the Japanese point of view that the responsibility of administration and police in the International Settlement should be shared equally among the principally interested powers including Italy which has on every occasion shared with the Americans, British and Japanese the burden and heavy expense of defending foreign life and property in the Settlement. He states that while some of the recent incidents at Shanghai have been directed against Italian military posts he agrees that it would have been physically impossible for the police to prevent them but he feels sure that the gradual addition of Japanese and Italian elements in the Municipal Administration and police on the same footing as Americans and British will increase efficiency and insure a better and safer evacuation [*sic*] of the International Settlement.

2. Minor cases of friction between the Japanese troops and British police and troops are continuing and of course offer opportunity for a serious clash at any time. It is reported that the Japanese troops show marked antipathy toward the British coupled with allegations of a friendly disposition toward Americans.

3. A small bomb is reported to have been thrown at an Italian military post this morning. No details are available but no casualties are reported.

Repeated to Hankow and Peiping.

GAUSS

893.102S/1575 : Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, January 11, 1938—6 p. m.

28. Reference your 15, January 5, 9 a. m., and 47, January 9, 6 p. m., in regard to International Settlement. In addition to the issues of a general character raised by the Japanese memoranda summarized and discussed in your telegrams, the specific requests made by the Japanese immediately suggest (a) that the questions raised concern the administrative functions of the Municipal Council in which field the Council exercises a large measure of independence of action in relation to the Treaty Powers; (b) that the Department has no direct intimation of the attitude and desires of the Municipal Council in the matter; and (c) that the large British interests at Shanghai would seem to render it appropriate that the initiative in any diplomatic or consular action which may be requested by the Council should rest with the British authorities.

With the foregoing in mind the Department offers for your consideration the following broad views in the hope that they may prove helpful to you in your consideration of the situation with which the Municipal Council is confronted.

The Department is of the opinion that the Council and the Consular Body should insist upon respect for their responsibilities and functions with regard to the administration of the International Settlement. Attempts by the Japanese to interfere with or encroach upon the administrative functions of the Council should be opposed by the Council, and by the Consular Body if its assistance is requested. Under present circumstances, however, it would seem reasonable as well as expedient to exercise the utmost caution and to take appropriate measures to the end that the Settlement not become a center for subversive activities, including, of course, activities of an anti-Japanese character. With regard to increased Japanese participation and authority in the administration and policing of the Settlement, it is felt that practical considerations point to the advisability of meeting in due course and in an orderly way reasonable Japanese desires in so far as practicable. There would seem to be some reason for hoping that increased Japanese participation in the administration and policing of the Settlement might have the desirable effect of causing the Japanese to feel a greater responsibility for the preservation of the integrity of the Settlement without seriously disturbing present administrative machinery and control.

In general, the Department feels that the foreign governments which have common interests and a common concern regarding the status and condition of the International Settlement and their official representatives and the authorities of the Municipal Administration

should take the position, and should make use of the principle, in discussions of this matter with Japanese officialdom, that questions relating to the International Settlement, especially proposals for changes in the composition of the municipal staff and in administrative practices, etc., should be dealt with on the basis of law, treaty rights, and considerations of justice and efficiency, rather than on a basis of the wishes of any one power supported by military force and pleading considerations of military necessity. It can reasonably be pointed out that the Japanese have repeatedly affirmed it their intention to respect the rights and interests of other powers, that neither the Chinese authorities nor any foreign governments have relinquished or waived in Japan's favor any of their rights and obligations in law or by treaty, and that the whole situation at Shanghai is one of continuing and important concern to all powers which have contacts with and interests in China and in trade with China.

The Department is thoroughly in accord with the points made by you in your conversation with the Japanese Consul General, as reported in paragraphs 1 and 2 of your telegram No. 47, and is also in accord with the views expressed in paragraph 3 thereof.

The Department desires that you consult with your British colleague and endeavor to ascertain for communication to the Department the British attitude in regard to the situation.

Please repeat the foregoing telegram and your telegrams under reference to the Embassy, Tokyo, for its information only. Also please repeat this telegram to the Ambassador at Hankow.

HULL

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893.102S/1589 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, January 12, 1938—1 p. m.

[Received 3 : 30 p. m.]

64. British Chargé d'Affaires has sent to me and to the French Ambassador paraphrases of his exchange of telegrams with London in regard to the Municipal Council.

1. Following is summary of his message to London. Any concession to Japanese now may be regarded by them as a surrender, therefore threats of using force should not be permitted to drive the powers into yielding on any major point. Council must take a firm line and must be able to rely on moral support of the powers. He suggests concurrence of his Foreign Office in the following advice to the Council: Council should not give way to any Japanese demands before consulting representative[s] of powers chiefly concerned. They should reply in writing to Japanese Consul General that while they

have given most careful consideration to the Japanese proposals they do not agree that adoption would in any way bring about the desired result, namely, to maintain peace and order and to suppress any form of manifestations of foreign activity in the Settlement. The reply should contain [*continue?*] that the proposals have been under examination for a number of days and the question of their expediency on other grounds has not yet been decided but in any case the present political crisis embittered by national feelings is hardly the moment to make any changes of such importance. The Council who are merely guardians of interests of all nationalities in the Settlement are reluctant therefore to resume discussion of the grave problems involved until conditions have become more normal. In any case they should not approve of suggestions advanced unless assured that they were fully supported by other interested powers. The reply might conclude by saying that a report embodying a reasonable analysis of the situation with special reference to the police is therefore being submitted to Senior Consul for consideration by the Consular Body. This report should show how Japanese have been taken in by the Council in recent years and deal with objections to bringing in additional Japanese elements too quickly.

2. Foreign Office replied to following effect: Since Japanese have occupied the posts fully, they are temporarily exercising the authority formerly wielded by the local administration. Therefore demands made to the Council by Japanese or Chinese which would not have been accepted from the formerly existing services must be resisted as far as possible. If, however, the Council feels themselves compelled to make any [*concession?*] to the Japanese demands for increased representation, it should be clearly understood that it is purely of a temporary nature. Later on when conditions return to normal it should be possible to consider the desirability of making any permanent change which would affect the interests of other powers. Foreign Office agrees generally with views expressed by the Chargé d'Affaires and approves the advice which he proposes to give to the Council. The Chargé d'Affaire[s] is instructed to keep in closest touch with the French and American colleagues in examining these problems. Message concludes with the statement that finally there is the possibility which might or might not satisfy the private [*sic*] Japanese and which should in any case only be taken up in the last resort of attaching some Japanese officials to certain departments of the Council as temporary observers, again on the strict understanding that such appointments would only be of a temporary nature. Foreign Office asks the views of the Chargé d'Affaires on this point.

3. Press reports from London published here say that the Foreign Office is expected to instruct the British authorities that any new and special measures found necessary should be expressly on a temporary

basis and without prejudice to a permanent arrangement which would affect other powers with rights in the Settlement.

4. The French Ambassador mentioned this matter at a meeting with the British Chargé d'Affaires and me yesterday morning. He was inclined to agree that the Japanese approach as made was ill advised and that we should endeavor to avoid early consideration of the Japanese demands. The French however are not likely to contribute much to the solution of the problems of the International Settlement, being inclined to stand aside in such matters.

5. I shall be glad to receive the Department's instructions as to any advice which may be tendered to the American Chairman and one other American member of the Council.

6. I am of the opinion that the question of increased Japanese representation in the municipal administrations and police has been so long postponed because of the British attitude that the Japanese will not be content to allow matters to drift and that it is essential that something be done to establish improved relations with the Japanese. I believe, however, that there should be no undue haste and that discussions should be prolonged in order that the effect of the Japanese demands may be dissipated. Then it may be made known that "in pursuance of the established policy of the Council of recent years" further increases in the Japanese representation in the police will be included in the annual budget which comes before the rate payers some time in April. It may be found desirable to provide for an additional Japanese Deputy Commissioner who shall be a police officer of experience and training. There may be provision for improved rank for Japanese police officers of experience and it may be desirable in some districts to appoint Japanese as co-inspectors in charge functioning alongside British inspectors. On the question of a Japanese Secretary, I believe it would be desirable to make the frank and friendly gesture of replacing the present Japanese Deputy Secretary who is *persona non grata* to the Japanese by a more capable man who shall be given status as Associate Secretary and who shall be chosen by the Council from amongst several suitable candidates. I do not believe that the British proposal for "temporary" measures will be well received by the Japanese; it is likely to increase the antagonism. I also dislike the proposal for temporary observers; it suggests too definitely an acceptance of the idea that the Japanese being in military occupation of the Shanghai area are entitled to exercise supervision over the Settlement administration. I believe that if the British will agree to yield in a reasonable measure we may be able to prevail upon the Japanese to approach the subject in a more conciliatory manner.

Repeated to Hankow.

893.1028/1589 : Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, January 14, 1938—8 p. m.

41. Reference your 64, January 12, 1 p. m.

1. The Department is inclined to share the views expressed in paragraph 6 of your telegram under reference and authorizes you to acquaint the British Chargé d'Affaires with those views and with the substance of the Department's 28, January 11, 6 p. m., to you. You may, in your discretion, inform him that if the British insist upon adherence to the course outlined in the exchange of telegrams described in your 64, we will refrain from any action that might embarrass them.

2. With reference to paragraph 5 of your telegram, you may use this instruction and the Department's 28 as a basis for advising the Americans on the Council.

HULL

893.1028/1619

*The Consul General at Shanghai (Gauss) to the Secretary of State*

No. 1199

SHANGHAI, February 5, 1938.

[Received March 18.]

SIR: I have the honor to refer to my despatches, No. 1141 of January 10, and No. 1149 of January 13, 1938,<sup>65</sup> on the subject of the Japanese demands on the Shanghai Municipal Council, and to submit the following:<sup>66</sup>

1. Copy of a report to the Council by the Secretary, dated January 21, 1938.
2. Copy of report and recommendations of the Commissioner of Police, dated January 24, 1938.

These reports represent the views of the Secretariat and the Police Department of the Council on the Japanese demands for increased Japanese representation and participation in the administration of the International Settlement.

There has as yet been no full meeting of the Council to consider the Japanese demands. It is my understanding, however, that the British and American members of the Council are now more or less of the same opinion in regard to them, and that they are prepared to consider the Japanese requests on their merits and to make some gradual and reasonable provision for increased Japanese participa-

<sup>65</sup> Neither printed.<sup>66</sup> Enclosures not printed.



tion in the Settlement administration, provided the Japanese on their part will take measures to improve relations with the Settlement administration, restore the areas north of the Soochow Creek to normal control of the Settlement police and other authorities and take a reasonable view of the whole situation.

There is some disposition to delay consideration of the Japanese proposals in order that the effect of the public "demands" of the Japanese Consul General, supported by his military and naval associates, may first be dissipated.

The Chairman of the Council tells me that some days ago he asked the Japanese Consul General whether the latter could recommend a thoroughly qualified Japanese police officer of experience, with a good knowledge of English, who might be considered for appointment to the police department, to act in liaison with the Commissioner and with the heads of all divisions in reference particularly to Japanese affairs. The Japanese Consul General undertook to make inquiry at Tokyo and to inform the Chairman of the result. He has not yet done so, and any complaint of delay in action on the part of the Council may naturally be ascribed to that situation.

The report of the Secretary of the Council in reference to the desire of the Japanese for more senior representation in the Secretariat makes no recommendation for the appointment of a Japanese Associate or Co-Secretary; but I understand that if it becomes necessary or desirable, resort may be had to some such arrangement.

The report of the Commissioner of Police, which must be examined in conjunction with enclosure 5 of my despatch No. 1141, of January 10, 1938, indicates that it may be possible to make some reasonable adjustment to meet the Japanese in respect of police matters; and this report taken along with the interest of the Chairman in finding a thoroughly experienced and qualified senior Japanese police officer with a good knowledge of English, may offer a solution of the problem so far as it relates to the police administration.

I have had several friendly discussions with my Japanese colleague, Consul General Suemasa Okamoto, on the subject of the Japanese relations with the Council, and have told him frankly that I strongly deprecated any attempt to obtain increased Japanese participation in the Settlement administration by way of "demands" supported by his military and naval forces. I pointed out that such measures would alienate foreign opinion favorable to intelligent and just consideration of Japanese aspirations, and that he would find no one willing to make any adjustments in the face of any such "demands". I also emphasized that there must be a substantial improvement in the relations between the Japanese forces and the Settlement administration, and that while the Japanese are seeking greater representation in the

Settlement administration they must respect the authority and jurisdiction of that administration and move promptly to restore the areas north of the Soochow Creek to the normal control and administration of the Settlement police and other authorities.

In one of my conversations with Mr. Okamoto, he mentioned to me that the Japanese community is desirous not only of increased participation in the Settlement administration; it desires also increased representation on the Council. He stated that his community desires representation equal to the British, who now have five members of British nationality on the Council. He inquired whether the Americans would be disposed to reduce their representation from two to one, if the British would reduce their representation from five to four, so as to permit of an increase in the Japanese representation from two to four and thus make Japanese representation equal to the British.

I told Mr. Okamoto bluntly that I could not follow him in any suggestion that the Americans should give up one of their two seats on the Municipal Council to a Japanese or to any other nationality, and that even if I were so generous as to agree to such a proposal I was certain that the American ratepayers would not do so, so that it was quite useless to consider the matter.

The opportunity presented itself to remind Mr. Okamoto that the Council is elected by the foreign ratepayers of the Settlement, that the franchise belongs to these ratepayers under the Land Regulations, that the franchise is dependent upon the payment of taxes and rates to the Council, that in the past I had ascertained that the Japanese paid only about 7 per cent of the rates and taxes, that the present status of the Japanese community in its relation to financial support of the Settlement administration has not been disclosed, but that he must realize that the election of members of the Council is dependent upon the votes of the ratepayers and if he expects to have any Japanese members elected his community should see to it that the Japanese residents pay their taxes and acquire the right of franchise.

Mr. Okamoto mentioned to me that a suggestion had been made to him by a British friend that there should be a revision of the Land Regulations and that definite provision should be made therein for a truly international Council to consist of three Americans, three Britons, three Japanese, and three other foreign nationals—German, Italian and Scandinavian. I commented that this was an interesting proposal but that he must realize that it would necessitate a revision of the Land Regulations and such a revision is not possible at this time. I do not know whether the Japanese will pursue the matter of increased representation on the Council at present. The elections are due to be held early in April. The American Community Committee has renominated the present American members of the Council,

Mr. Cornell S. Franklin (Chairman of the Council) and Mr. W. H. Plant. I understand there are to be some changes in the British members of the Council, but they have not yet been made known. My British colleague tells me that the Japanese Consul General mentioned to him the desire to obtain more seats on the Council for Japanese, at the expense of British representation, but the British Consul General was apparently unwilling to consider the suggestion. I know however that a year or more ago my then British colleague, Sir John Brenan, had under consideration a recommendation to the British Foreign Office that the British community agree to reduce their representation on the Council and thus provide an additional seat for a Japanese (who would need to be supported by British votes to be elected), but I understand that the British fear that the Japanese and Chinese members may at any time form an "Asiatic bloc" in Settlement matters. The present Council consists of five British, two American and two Japanese (a total of nine foreign members) and five Chinese. If the British were to reduce their representation to four, the combined American-British vote would be six against a possible combined Japanese-Chinese vote of eight. There is some feeling that the Japanese may bring pressure to bear to determine what five Chinese shall become members of the Council. The Chinese members of the Council are elected by the Chinese Ratepayers Association.

Unless there is direct interference by the Japanese military in the Settlement administration, I hope that the American and British members of the Council by a wise discretion and careful approach to the subject can bring about improved relations with the Japanese and, considering the Japanese desires on their merits, make provision for some reasonable and gradual increase in Japanese participation in the Settlement administration.

Respectfully yours,

C. E. GAUSS

893.1028/1621

*The Consul General at Shanghai (Gauss) to the Secretary of State*

No. 1234

SHANGHAI, February 23, 1938.

[Received March 18.]

SIR: With reference to my despatch No. 1199 of February 5, 1938, in regard to the Japanese demands on the Shanghai Municipal Council, I have the honor to enclose for the information of the Department:

Copy of a letter dated February 4, 1938,<sup>67</sup> addressed informally by the Secretary of the Shanghai Municipal Council to the Senior Con-

<sup>67</sup> Not printed.

sul, setting forth the views of the American and British members of the Council on the Japanese demands.

On Monday, February 14th, the Senior Consul invited the American, British and French Consuls General, the (American) Chairman of the Municipal Council, and the (American) Secretary General and (British) Secretary of the Council to meet with him informally to discuss the matter.

At that meeting, the British Consul General stated that he was prepared to accept the recommendations of the American and British members of the Council as set out in the enclosure to this despatch, emphasizing point (1), that is, that no changes or concessions should be made until full Council control is restored in that part of the Settlement which lies north of the Soochow Creek and which is now under Japanese military occupation.

I stated that I found myself in accord with the proposals of the American and British members of the Council, but that I did not believe that they would be found by the Japanese reasonably to meet their wishes and that I thought that it might be necessary to consider further their demand for a Japanese secretary.

The British Consul General—who had referred the matter to London—stated that, for the time being, he is not prepared to agree to more than is offered in the recommendations of the American and British members of the Council, and he again stressed the necessity for the return of the area north of the Soochow Creek to the control and administration of the Council as a condition precedent to any concessions.

I informed my colleague that in several conversations with the Japanese Consul General I had urged upon him the necessity of restoring the areas north of the Soochow Creek to the full control and administration of the Council, pointing out that he could not reasonably expect favorable consideration of any Japanese requests until this had been done. I proposed that the recommendations of the American and British members of the Council should be submitted for the consideration of the full Council and then presented for the information and consideration of all the interested consular representatives (the Treaty Consuls; excepting of course the Japanese). If they find general support, then they may be made the basis of a memorandum to be handed to the Japanese Consul General by the Chairman of the Council. This procedure was generally acceptable.

Meanwhile, as an indication of the difficulties confronting the Council in dealing with the areas of the International Settlement north of the Soochow Creek now under Japanese occupation, I enclose:

Copy of a report<sup>69</sup> from the Secretary of the Council to the American and British members of the Council dated February 4, 1938, in reference to the arrangements for the return of Chinese to the areas north of the Creek and the desire of the Council to restore Chinese police to that area under supervision of the regular (foreign) police officers.

It will be noted from this report that the Japanese authorities were willing to allow Chinese members of the police force to be sent to the areas north of the Creek only if they were placed under the supervision of the Japanese branch of the Police. The Municipal authorities were unable to agree to this attempt to extend the authority of the Japanese branch of the police in the areas north of the Creek. The Japanese branch of the police has assumed a more or less independent attitude, placing itself under the influence, if not direction, of the Japanese military and naval authorities. The matter continues under discussion, but meanwhile the Japanese have arranged to allow a limited number of Chinese civilians to enter the areas under passes issued after the submission of applications through a Shanghai Citizens Association—an organization of uncertain responsibility recently set up by the Japanese military authorities, the personnel of which is not publicly well known. This action has drawn a protest from the Chairman of the Council to the Senior Consul, a copy of which is enclosed.<sup>69</sup> This protest was laid before the full meeting of the Consular Body on February 15th, when the Japanese Consul General was present, and was referred to him for an explanation which he has promised to give.

It will be seen from the foregoing that the whole matter of the Japanese demands is being approached with considerable caution, difficulty and delay. It is the hope that the Japanese finally may be brought to a realization that they must fully restore the Council's control and administration in the northern districts before they can expect any concessions from the Council.

I believe that for the time being the Japanese will suspend their efforts to obtain increased Japanese representation on the Council itself, it being realized that they do not have sufficient voting strength to force the issue at a municipal election. I am inclined to the opinion that after a new Chinese Government is set up, the Japanese will move for a revision of the Land Regulations so as to provide in that manner for increased Japanese representation.

Respectfully yours,

C. E. GAUSS

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<sup>69</sup> Not printed.

893.1028/1622 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, March 19, 1938—11 p. m.

[Received March 19—6:19 p. m.]

425. Reference proposals for increased Japanese participation in administration of the International Settlement. Municipal Council has handed Japanese Consul General a memorandum which had previously been discussed with him and which it is understood is accepted as a settlement of the question.

2. Memorandum states that the Council is prepared to make certain changes in the police administration to meet Japanese aspirations but that simultaneously the Japanese authorities should assist the return to normal conditions by taking all practicable steps to restore the full control of the Council in the areas north of the Creek at the earliest possible time.

3. Memorandum then examines Japanese proposals in detail and provides for the abolition of the present special Japanese branch of the police and for the division of the foreign branch into two sections, the present Japanese branch to be known as section 2 and its members to be eligible for transfer to section 1 when after trial and experience they individually show their ability to take note [*part*] in the general work of section 1, the ultimate aim being that the two sections should become one. The rank of constable is abolished in section 2 as in the present foreign branch and all present Japanese constables as well as new appointees are to be probationary sergeants. Council is willing to appoint another Japanese as a special Deputy Commissioner provided he has police experience in keeping with that rank and has a thorough knowledge of English. (I understand that the Japanese are nominating a high ranking police officer for the post.) The Council is also willing to appoint an experienced Japanese police officer with knowledge of English as associate division officer in one of the divisions north of the Creek and may later appoint another such officer.

4. In regard to the Secretariat, the memorandum points out that the present Japanese Deputy Secretary has done good work and gained valuable experience, that nothing would be gained by replacing him and it would be inexpedient to change his rank, that he has direct access to both the Chairman and the Secretary General, that he may communicate directly with heads of departments in matters affecting Japanese interests, and that steps will be taken to have him attend all important conferences and meetings.

5. I hope this will be a final and satisfactory settlement of this problem but as pointed out in paragraph 2 above, as the Council moves to give effect to its proposals the Japanese authorities are ex-

pected simultaneously to take all practicable steps to restore full Council control in the area north of the Creek at the earliest possible time.

6. Advance information will be made to the press later by the Council in a form which will first be submitted for approval.

Repeated to Hankow, Peiping and Tokyo.

GAUSS

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893.102S/1628 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, April 7, 1938—5 p. m.

[Received April 7—5 p. m.]

511. Reference my 425, March 19, 8 [11] p. m. Japanese Consul General yesterday handed Chairman of Municipal Council letter acknowledging receipt of Council's memorandum, expressing appreciation of careful consideration of the Japanese requests, but regretting that the Council could not accede to some of the proposals and expressing the hope that the Council will consider their position and meet the Japanese desires fully when the present tense situation is mitigated and the financial condition of the Council is improved. He then asked for the full implementing of the memorandum on the side of the Council but was not very satisfactory in his response to the inquiries of the Chairman as to the intention of the Japanese to move simultaneously to restore full Council control in the areas north of the Creek although he did say he intended to work for material and steady amelioration of conditions.

I understand that as evidence of their good faith authorities of the Council propose to proceed to appoint the special Deputy Commissioner of Police nominated by the Japanese and then await indications of good faith on the Japanese side before proceeding further.

Repeated to Hankow, Peiping and Tokyo.

GAUSS

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893.102S/1638

*The Consul General at Shanghai (Gauss) to the Secretary of State*

No. 1355

SHANGHAI, April 12, 1938.

[Received May 9.]

SIR: With reference to my despatch No. 1350 of April 11, 1938,<sup>70</sup> in regard to the Japanese demands for increased participation in the administration of the International Settlement at Shanghai, I have the honor to enclose copy of a memorandum <sup>70</sup> prepared by the Secre-

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<sup>70</sup> Not printed.

tary of the Council recording a further discussion between the Japanese Consul General, Mr. S. Hidaka, and the Chairman of the Council, on April 11th.

It will be noted therefrom that the Japanese Consul General desires that the Council proceed in the immediate future to carry out in full the proposals contained in the Council's reply to the Japanese demands, while the Chairman of the Council pointed out that the Japanese authorities are expected as an earnest of their good faith to take steps simultaneously to restore Council control in the areas north of the Creek.

It will further be observed that the Japanese Consul General is seeking to assure that the new Japanese Special Deputy Commissioner of Police shall have "command and supervision" over the Japanese members of the force, which is not what is intended on the part of the Council.

I have had occasion recently in my telegrams to the Department to mention that the new Japanese Consul General, Mr. S. Hidaka, (formerly Counselor of Embassy and later Chargé d'Affaires after the recall of Ambassador Kawagoe) does little more than support and advance the views of the Japanese military. He is personally and socially agreeable, but unlike his predecessor, Mr. S. Okamoto, who was finally "promoted" to the post of Counselor of Embassy at London, he is not disposed to harmonize the foreign and Japanese points of view and to seek solutions which will respect both the foreign and Japanese interests involved. While his predecessor was apparently close to the Japanese naval authorities, who are generally willing to take a more reasonable view than the Japanese military authorities, the new Consul General appears to be the mouthpiece of the Japanese militarists, who give little evidence of any desire or intention to respect foreign rights and interests.

In connection with this question of increased Japanese participation in the Municipal administration, I enclose copy of an article<sup>11</sup> which has appeared in the local press quoting a Reuter despatch from Tokyo dated April 11th, in which Mr. Chikayaki Akagi, now chief of the secretariat of the Overseas Ministry, who has been nominated as the Special Deputy Commissioner of the Shanghai Municipal Police, is quoted by the *Asahi Shimbun* as declaring that he is convinced that the Japanese language "will and must" become the official language of the Shanghai Municipal police service. This attitude on the part of Mr. Akagi does not suggest that he is likely to be a particularly agreeable or friendly element in the Municipal administration.

Respectfully yours,

C. E. GAUSS

<sup>11</sup> Not printed.



893.1028/1647 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*SHANGHAI, June 29, 1938—6 p. m.  
[Received June 30—8:50 a. m.]

928. 1. The Hungjao Residents' Association, an association composed of residents of all nationalities residing in Hungjao and the current [extra-] Settlement road area of Shanghai, are sponsoring a movement to extend the boundaries of the International Settlement to cover in general the area now embraced in the so-called outside roads area. This entire question has become a live issue because (1) the area is now being populated by squatters and refugees who are building shacks off of the extra-Settlement roads; (2) police protection in the areas between the roads is practically nonexistent since the disappearance of the police of the Greater Shanghai Municipal Government and the substitution of the "Tatao Government"; (3) the erection of flimsy factory buildings in the area; (4) the depositing of incoffined corpses on various vacant plots of land in the area; (5) the Japanese claim to succession to all the rights and privileges heretofore enjoyed by the Chinese Government; (6) a fear that the Japanese will attempt to exercise complete control of the entire extra-Settlement area, especially the area between the roads.

2. By reference to section 6 of the Land Regulations, copy of which is no doubt available to the Department, it would appear that the Municipal Council possesses no rights to police the outside roads nor to maintain the roads, sewerage, drainage, et cetera, nor does it possess a right to tax property abutting on the roads or to issue licenses of any sort. It appears that under a "gentlemen's agreement" arrived at by the Secretary General of the Council and Mr. O. K. Yui, the Mayor of the former city governments of Greater Shanghai, it was understood that the Council should have the right to collect rates from occupiers of residences abutting directly on the outside roads and to police the roads. This was a temporary arrangement pending the conclusion of a definite agreement concerning the whole of the outside roads area. The advent of hostilities brought these negotiations to an end.

3. The Municipal Council fears that the time will soon arrive when an attempt will be made to interpret the Land Regulations literally, which would mean in effect the complete cessation of the very limited control exercised by the Council in the area in question. There are indications that the Japanese authorities may have in contemplation some such move. The Council [is] finding it increasingly difficult to assert its already meager authority and the situation as regards the land situated between the extra-Settlement roads is becoming in-

tolerable at present in that area. There is no policing, no refuse collection, no supervision of sanitation, and filthy squatters' huts are springing up adjoining the property of foreign residents, thus not only menacing the health of the inhabitants of that area, but also menacing indirectly the health of the whole Shanghai area.

4. The foregoing situation has been brought to my attention and to the attention of the British Consul General by the Settlement authorities with a request that it be communicated to our respective Governments with a view to the possibility of finding some solution to the situation. That solution might mean an effort to bring about the inclusion of the area within the boundaries of the International Settlement. It is scarcely necessary for me to comment on the situation that obtained in the extra-Settlement roads area up to the time of the beginning of hostilities, inasmuch as that situation is well known to the Department. The conditions that now exist urgently require remedying and while the attainment of the objective of the Hungjao residents may become necessary [and?] this would undoubtedly solve the problem, the principle involved does not seem to be in accord with the Department's policies and I have serious doubts also that the Japanese authorities would view it with favor. I am likewise doubtful that the "Reformed Government" would acquiesce in any such proposal which the Residents' Association might advance to it. There is a disposition in some quarters arbitrarily to extend the authority of the International Settlement to the area in question by a formal administrative act and simply notify the residents to that effect, supporting the action by an adequate police. It is probable that a unilateral act of this kind would lead to the greatest confusion and perhaps to unpleasant incidents. Inasmuch as the Municipal Council authorities will shortly seek a conference with myself and the British Consul General, I should be most grateful if the Department would give me the benefit of its views on this subject for my guidance.

Repeated to Hankow, by mail to Peiping and Tokyo.

LOCKHART

893.102S/1674

*Memorandum by the Consul General at Shanghai (Lockhart) of a Conversation With the Japanese Consul General at Shanghai (Hidaka)*<sup>12</sup>

SHANGHAI, July 20, 1938.

Mr. Hidaka came to see me yesterday morning and discussed somewhat at length the proclamation issued by the Shanghai Municipal

<sup>12</sup> Copy transmitted to the Department by the Consul General at Shanghai in his despatch No. 1557, July 23; received August 13.

Council with reference to the expulsion from the Settlement of persons arrested for terrorist activities or having in their possession arms or other evidence which might relate to such activities.<sup>73</sup> Mr. Hidaka seemed very pleased that the Municipal Council had issued the proclamation, and he said that he hoped they would even go further in their campaign against the terrorists, and that extraordinary precautions should be taken to cover the period from August 10 to August 15, which would mark the first anniversary of the outbreak of hostilities at Shanghai. I told Mr. Hidaka that it seemed to me that the Shanghai Municipal Council and the French Concession authorities met the situation very well indeed on July 7, and that the situation was brought under control within two or three hours after the outbreak early in the morning of that day. I told Mr. Hidaka that in ordinary circumstances my feeling was that such unlawful acts should be handled by the appropriate courts, but that at least under the present conditions a more drastic procedure seemed to be required, and that I at least hoped that the measures adopted by the Council would be effective; that in my judgment the Municipal Council and the French Concession authorities were doing everything that could be well expected of them in preserving order in the foreign areas; that the problem was greatly aggravated by the enormous number of refugees in the city and the extraordinary density of population which could doubtless not be matched in any other city in the world.

Mr. Hidaka said that he felt that the Municipal authorities were doing everything they could, but that he nevertheless hoped that there would be no slackening in their efforts; that he was quite sure the terrorism was organized by certain agencies at Hankow; that he strongly felt that the authorities of the French Concession and International Settlement should adopt strong measures for preventing the influx of unlawful elements, and to that end he suggested a strict inspection of all Chinese passengers arriving by steamer from any direction.

F[RANK] P. L[OCKHART]

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893.102S/1647: Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, July 22, 1938—4 p. m.

457. Your 928, June 29, 6 p. m. The Department maintains the position set forth in previous instructions to the Legation and Consulate General that questions affecting the International Settlement should, as far as possible, be treated as local municipal problems and

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<sup>73</sup> See telegram No. 992, July 14, 6 p. m., from the Consul General at Shanghai, vol. III, p. 225.

dealt with by the municipal authorities in consultation with the Consular Body and if necessary with available diplomatic representatives (see Department's telegrams No. 34, February 18, 1932, 12 p. m. to Shanghai; <sup>74</sup> and Nos. 359, October 31, 1932, noon; <sup>75</sup> 104, April 1, 1933, 11 a. m., <sup>76</sup> and 71, March 21, 1934, 5 p. m., to Peiping, <sup>77</sup> and No. 28, January 11, 6 p. m., to Shanghai). However, in the event that it should become desirable to indicate the attitude of this Government on the question under reference, the following observations are submitted for your guidance:

The Department is of the opinion that the authority conferred on the Municipal Council by article VI of the Land Regulations for the "maintenance" of extra-Settlement roads dedicated to public use "for the health . . . <sup>78</sup> of all persons residing within the Settlement" and the authority which, according to your paragraph 2, is understood to have been granted by the informal agreement with the mayor of Greater Shanghai, reasonably warrant the adoption of all emergency measures essential to protect the health of residents of the Settlement from the serious menace which the conditions of which you speak seem to involve. The Department is aware that the execution of those measures in a manner that will not encounter opposition from the Japanese may be a problem to be faced by the agencies of the Municipal Council.

Pending return of normal conditions in Shanghai and an opportunity to negotiate with the lawful authorities for the definitive adjustment of extra-Settlement road problems, the Department considers that it would be unwise and, in view of existing conditions, probably futile to deal with the extra-Settlement area on any other than an emergency basis for the protection of the health of the residents of the International Settlement.

Repeat by telegraph to Hankow and by mail to Peiping and Tokyo.

HULL

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893.1028/1656: Telegram

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

HANKOW, July 27, 1938—5 p. m.  
[Received July 27—10:47 a. m.]

379. A representative of the Foreign Office has just called to protest against the handing over of an alleged terrorist by the municipality of International Settlement to the Japanese authorities as

<sup>74</sup> *Foreign Relations*, 1932, vol. III, p. 386.

<sup>75</sup> *Ibid.*, vol. IV, p. 649.

<sup>76</sup> *Ibid.*, 1933, vol. III, p. 610.

<sup>77</sup> *Ibid.*, 1934, vol. III, p. 608.

<sup>78</sup> Omission indicated in the original.

contrary to agreement for rendition of Mixed Court<sup>79</sup> and contrary to principles of justice. Foreign Office asks that municipality arrange for return of alleged terrorist and expresses hope that similar handing over will not occur in future. Foreign Office asked what assurances had been obtained that Chinese thus handed over would be given a fair trial. Similar protest being made to British Embassy.

Repeated to Shanghai.

JOHNSON

893.102S/1659 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, July 30, 1938—2 p. m.

469. Hankow's 379, July 27, 5 p. m., in regard to protest against the handing over of an alleged Chinese terrorist by the municipality of the International Settlement to the Japanese authorities.

1. The Department has received from the Chinese Ambassador at Washington a *note verbale* dated July 29, 1938,<sup>80</sup> stating that the Shanghai Municipal Council had on July 25 handed over an alleged "Chinese terrorist" to the Japanese authorities and that representations had been made to the American and British Embassies in China protesting against this act on the ground that it was not only a violation of the fundamental principles of justice but a flagrant breach of the Shanghai court agreement. The communication adds that the Chinese Government requests that the appropriate authorities of the United States Government take steps to secure the return to the Settlement authorities of the Chinese involved for suitable legal prosecution in the legal tribunal within the Settlement.

2. Please communicate to the appropriate Settlement authorities, without comment thereon except possibly as indicated in paragraph 3 hereof, the information contained in paragraph 1.

3. Although your 1042, July 28, 10 p. m.,<sup>81</sup> indicates that the Chinese concerned was a member of a terrorist group and had a bomb in his possession, it does not indicate that he had in fact committed an offense against armed forces in the International Settlement. If the Department's assumption is correct that no offense against armed forces in the International Settlement has been established against the Chinese concerned, you may, in your discretion, bring this point to the attention of the appropriate municipal authorities.

4. The Department is informing the Chinese Ambassador that the information contained in his *note verbale* is being transmitted to you

<sup>79</sup> Signed at Shanghai, February 17, 1930, *Foreign Relations, 1930*, vol. II, p. 333.

<sup>80</sup> Not printed.

<sup>81</sup> Vol. III, p. 242.

with the request that you make an appropriate approach to the Settlement authorities, informing them of the Chinese Government's attitude.

Repeat to Hankow.

HULL

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893.102S/1660 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, August 5, 1938—6 p. m.

[Received August 5—11:40 a. m.]

1070. 1. The substance of paragraph 1 of the Department's 469, July 30, 2 p. m., was communicated to Chairman of the Shanghai Municipal Government, who has acknowledged its receipt and stated "the contents of your letter have been noted." I did not deem it advisable to bring the point raised in your paragraph 3 to the attention of the municipal authorities in view of the fact that the action taken by the authorities was based, I am informed, on paragraph 6 of the proclamation quoted in my 992, July 14, 6 p. m.<sup>82</sup>

2. A copy of your 469, July 30, 2 p. m., together with a copy of this telegram will be sent by mail to Peiping and Tokyo.

Repeated to the Ambassador.

LOCKHART

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893.102S/1660 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, August 10, 1938—5 p. m.

482. Your 1070, August 5, 6 p. m., in regard to Chinese terrorist.

1. Your 1042, July 28, 10 p. m.,<sup>83</sup> reported that the Chinese in question "was handed over to the Japanese authorities." Your 1070 states that you are informed that the action of the Shanghai Municipal authorities was based on paragraph 6 of the proclamation quoted in your 992, July 14, 6 p. m.<sup>82</sup> That paragraph provides merely for the expulsion from the Settlement of persons referred to therein.

2. So far as the record available to the Department is concerned the action of the Municipal authorities was not in accordance with their own regulations and the Department would appreciate your comment upon this apparent discrepancy.

HULL

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<sup>82</sup> Vol. III, p. 225.

<sup>83</sup> *Ibid.*, p. 242.

893.102S/1679 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, August 16, 1938—2 p. m.

[Received August 16—8 a. m.]

1114. My 1105, August 13, 2 p. m.<sup>85</sup> I have now received a reply from the Commissioner of Police stating that the Chinese in question, one Kiang Kwei Sung, was handed over by the French police to the municipal police on July 7, 1938, and on July 25, at 3 : 30 p. m., he was in turn handed over by the Settlement police to Sergeant Major Shibuya of the Japanese military police under the terms of the municipal proclamation of January 1, 1938<sup>86</sup> and that "no report has yet been received from the Japanese military authorities in connection with the disposition of Kiang Kwei Sung."

In a previous letter dated August 13, the Commissioner transmitted a copy of Kiang's statement and said "It will be observed that the offense against the Japanese forces was planned and put into effect from the Tsoongnan hospitals, International Settlement. The offense comes under clause I of the January proclamation. The arrested man is a self-confessed terrorist operating from Hankow and using the Settlement and the French Concession as a base."

LOCKHART

893.102S/1713 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, October 6, 1938—9 a. m.

[Received October 6—8 a. m.]

1300. British Ambassador tells me confidentially that Japanese have informed his colleague at Tokyo<sup>87</sup> that the return of the northern districts of the International Settlement of Shanghai to control of the Municipal Council might be effected subject to two conditions: (1) increased Japanese representation on the Settlement police and (2) replacement of the present Chinese courts in the Settlement by "impartial" courts appointed by the Ta Tao government of Shanghai.

Asked for my reaction to these conditions, I expressed the personal view that point 1 might not be particularly difficult if the Japanese request is reasonable as it has been the intention of the Municipal Council gradually to increase Japanese on the force, but as to point 2 it seemed to me that it would be difficult to acquiesce in judicial ap-

<sup>85</sup> Not printed.<sup>86</sup> See telegram No. 2, January 2, 10 a. m., from the Consul General at Shanghai, p. 214.<sup>87</sup> See telegram No. 633, September 28, midnight, from the Ambassador in Japan, vol. III, p. 305.

pointments to the courts of the Settlement by the hopelessly weak ineffective puppet government at Shanghai which has no real authority or control and that such appointments by the so-called Reformed Government at Nanking would seem equally unacceptable for the same reasons. British Ambassador responded that my reaction on point 2 is precisely the same as that of his staff advisers. As to point 1, he inquired whether we had ever considered matching Japanese demands patterned after demands for increased American representation on the police. I replied that I had several times told my Japanese colleague that he was setting a bad precedent in his demands on the Council and that he had consistently replied that the Japanese would support us in any demands equally as reasonable as the Japanese.

Repeated to Tokyo, code text by mail to Peiping.

GAUSS

893.102S/1734

*The Consul General at Shanghai (Gauss) to the Secretary of State*

No. 1861

SHANGHAI, December 8, 1938.

[Received January 3, 1939.]

SIR: The Department will recall that in January, last, the Japanese authorities made certain demands on the Shanghai Municipal Council for increased Japanese participation in the administration of the International Settlement at Shanghai, and particularly in the Settlement police force,\* and that in March, after extended consideration and consultation, the Municipal Council undertook substantially to meet the Japanese aspirations, with the expectation, however, that "simultaneously" with the changes which the Council was prepared to make to meet the requests of the Japanese community, "the Japanese authorities should assist the return to normal conditions by taking all practicable steps to restore full Council control in the area north of the Soochow Creek at the earliest possible time".†

The Shanghai Municipal Council proceeded promptly to take the first step toward implementing the understanding of March 1938, by appointing a Japanese Government nominee as Special Deputy Commissioner of Police. The Japanese authorities, on their part, however, have done practically nothing to assist in a return to normal conditions or to restore Council control in the area north of the Soochow Creek.‡ The Japanese, on the other hand, have sought to insist that

\*Despatch No. 1441 [1141], January 10, 1938. [Footnote in the original; despatch not printed.]

†Despatch No. 1290, March 21; No. 1350, April 11; No. 1355, April 12, 1938. [Footnote in the original; despatches Nos. 1290 and 1350 not printed.]

‡Despatch No. 1765, October 20, 1938. [Footnote in the original; despatch not printed.]



the Council should proceed to give effect to further provisions of the understanding of March 1938, and more recently they have made it known that they expect benefits exceeding those contemplated in that understanding.

Several weeks ago it was proposed that the Japanese Consul General be invited to meet informally with the Chairman and executive officers of the Municipal Council and the American and British Consuls General, to discuss the unsatisfactory situation north of Soochow Creek. The Japanese Consul General, Mr. Shinrokuro Hidaka, indicated his willingness to attend such a conference but expressed the desire first to have an informal discussion with the Chairman of the Council at which he handed to the Chairman two sets of proposals, marked "A" and "B", copies of which (sent to me by the Acting Secretary of the Council on November 5th) are enclosed<sup>88</sup> with this despatch.

These "proposals" include the undertakings of the Council under the understanding of March 1938, and add provisions which would in effect give the Japanese substantially complete police control of the whole of the areas of the International Settlement north of Soochow Creek by providing that Japanese police officers shall be in charge of the police divisions in that area and that Japanese officers shall also be in charge of the police stations in the areas of large Japanese population. It is also proposed to set up a "joint committee" of Japanese military, naval and consular representatives and representatives of the Municipal Police "with a view to ensuring the smooth and harmonious functioning of the police" in the divisions north of the Creek.

After several delays and postponements, the proposed informal conference with the Japanese Consul General was held on Monday, December 5th.

Mr. Hidaka was accompanied by his senior staff Consul, Mr. Goto. The (American) Chairman of the Shanghai Municipal Council was supported by a British member of the Council, the (American) Secretary General of the Council, the (British) Secretary of the Council, and a (British) Deputy Secretary. The American and British Consuls General attended without staff.

The conference lasted over several hours which were devoted principally to unconvincing explanations from Mr. Hidaka on the necessity of solving the police problem in the northern areas by adopting and implementing his "proposals", whereupon, in his opinion, the other problems of the northern areas would solve themselves more or less as a matter of course. But when asked for positive assurance that with the solution of the police problem the northern areas would be returned to normal municipal control and be thrown open to residence and trade in the same manner as other

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<sup>88</sup> Neither printed.

sections of the Settlement, Mr. Hidaka was obliged to admit that he was not in a position to give any assurance on any point. He directed attention to the anti-Japanese "terrorism" in Shanghai, to the continuing Sino-Japanese hostilities, and to the likelihood that there will for some time be large numbers of Japanese soldiers in and around Shanghai (including the northern areas of the Settlement). He made it quite evident that there is no present intention on the part of the Japanese military authorities to return the northern areas of the Settlement to Council control in the near future, notwithstanding assertions that the present situation is temporary, that the Japanese have "no ambitions" affecting the future of this part of the Settlement, and that there is an intention gradually to lift the present restrictions in the area as conditions from time to time may permit.

Mr. Hidaka offered no satisfactory reason for dividing his "proposals" into two memoranda, marked "A" and "B"; he said that he did not wish to "frighten" the Council by presenting too numerous demands in one memorandum; and that as a matter of fact "B" included items which are already being carried out but on which the Japanese feel that the efforts should be intensified. I understand from the Chairman of the Council that Mr. Hidaka intimated to him that the items of memorandum "A" are more or less mandatory on the Council, while there is not quite so much insistence upon some of the items of memorandum "B".

Mr. Hidaka attempted to minimize any concern as to the proposed "joint committee" of Japanese military, naval and consular representatives and representatives of the Municipal Police to ensure the "smooth and harmonious" functioning of the police in the northern areas. He pointed out that there had been conferences between these authorities in the past, when special precautions were agreed upon to be taken on Chinese anniversaries and holidays, and all that was desired was a continuance of this collaboration and cooperation. This explanation to me is unsatisfactory and unconvincing.

Mr. Hidaka attempted no real defense of the charge that the Japanese have failed to carry out their undertaking to move as rapidly as possible toward the return of the northern areas to Municipal Council control; he admitted that he could point to nothing concrete done by the Japanese to that end; he could only say that he felt that tension had been "eased" and that there existed a "better feeling", but he went on to emphasize the necessity of reassuring the Japanese military and other authorities and the Japanese residents by measures for satisfactory (Japanese dominated) police control in the area, et cetera.

I took occasion during the discussions to state that I had been one of those who had recommended careful and sympathetic consideration of the Japanese requests made last January; that I now felt that the

Japanese side had failed and had offered no satisfactory explanation of their failure to carry out their obligations under the March understanding; that our Japanese colleague now confronted us with additional requests to be met by the Municipal Council, and when asked to give an assurance that if these requests are met, the areas north of the Soochow Creek will be restored to normal Council control, he tells us that he is unable to give any assurance whatsoever on these points. I pointed out that this represented a most unsatisfactory state of affairs; that emphasis has been placed by the Japanese side on the necessity of reassuring the Japanese military and the Japanese residents, but that there is no evidence of a disposition on the Japanese side to give consideration to the rights and interests of other foreign nationalities; and as indicating the unsatisfactory situation with respect of foreign interests I pointed to the conditions in the foreign extra-Settlement residential areas to the west of Shanghai where Japanese gendarmes are commanding and augmenting the Chinese police forces of the new Japanese sponsored local regime, and where gambling hells, opium dens, and narcotic vendors are permitted to flourish in large numbers. I urged that the Japanese give proper consideration to both foreign and Japanese interests in the solution of local problems.

The conference adjourned following a statement of the Chairman of the Council that the matter would be studied by the Council.

On the morning of December 7th, the Chairman of the Council told me that the American and British members of the Council had met and thoroughly examined the situation, reaching the conclusion that it will be necessary for the Council to make further concessions to the Japanese and to hope that when the police are finally reestablished in control of the northern areas it may be possible to extend the municipal control gradually and finally restore the areas to normal. To this end, it is proposed that he call on the Japanese Consul General and offer him a compromise proposal suggested by the Commissioner of Police (in a report, of which a copy is enclosed<sup>89</sup>) that a special division to be known as "E" division be established in the northern section of the Hongkew area (the principal area of Japanese residence), that a carefully selected Japanese police officer be placed in charge of that division, that a Japanese associate divisional officer be provided to function for divisions "C" and "D", and that an understanding be reached rejecting certain possible Japanese candidates for the appointment. In short, the Council will offer some further concessions to the Japanese and proceed to implement the understanding fully, hoping thus to restore the police to control in the northern areas, with the thought that thereafter they may gradually induce

<sup>89</sup> Not printed.

the Japanese to discard present restrictions, such as the system under which permits and passes must be obtained for all movement of foreign cargo out of that area, for all Chinese entering the area, including even chauffeurs and employees of foreigners, et cetera. It is hoped that it may be possible eventually to restore the street car and bus services and permit the return of Chinese to the areas for residence without undue restrictions.

I am particularly interested to note that the British members of the Council, who but a few weeks ago were insistent that the Japanese must be faced with a firm refusal to make any concessions until the whole northern areas are returned to full and complete municipal control, have now been prevailed upon by the British Consul General to take a decidedly more conciliatory attitude.

I regret to say that I do not expect this changed attitude toward the Japanese to be productive of any satisfactory results at this time.

I shall keep the Department informed of developments.

Respectfully yours,

C. E. GAUSS

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NAVAL MEASURES TAKEN BY CHINA AND JAPAN ALONG THE COASTS AND IN THE RIVERS OF CHINA; EFFECT ON AMERICAN AND OTHER SHIPPING<sup>90</sup>

793.94112/150: Telegram

*The Commander in Chief, United States Asiatic Fleet (Yarnell),  
to the Chief of Naval Operations (Leahy)*<sup>91</sup>

[SHANGHAI,] January 5, 1938—5:22 p. m.

[Received January 5—3:45 p. m.]

0005. Following letter written to Admiral Hasegawa this date.

“My dear Admiral Hasegawa: I have been informed by Captain Dundas of H. M. S. *Folkestone* that upon inquiry he was told by Admiral Sugiyama that it was your policy that merchant ships other than Japanese would not be allowed to proceed up the Yangtze.

On December 28th the American Ambassador in Tokyo informed the Japanese Government<sup>92</sup> that the United States claimed absolute freedom for their ships to move and trade on the river and that the United States Government looks to the Japanese authorities to give prior warning in regard to any area on the Yangtze becoming, through steps taken by them, a dangerous area.

In view of the above, I can not accept a policy which prevents the free navigation of the Yangtze River by United States naval or merchant vessels.

Very sincerely, H. E. Yarnell, Admiral United States Navy, Commander-in-Chief, United States Asiatic Fleet.”

<sup>90</sup> Continued from *Foreign Relations*, 1937, vol. iv, pp. 430-472.

<sup>91</sup> Copy transmitted to the Department by the Navy Department.

<sup>92</sup> *Foreign Relations*, Japan, 1931-1941, vol. i, p. 760.

793.94/12318: Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, February 4, 1938—8 p. m.

[Received February 4—8 a. m.]

Bocca Tigris forts bombarded intensely today by three Japanese ships. Foreign vessels starting this morning from Hong Kong to Canton and Canton to Hong Kong returned to port of departure, those from Canton under orders of Chinese military authorities. Understood Pearl River not physically blocked as yet. Official notice has been received that the channels into the West River have been completely blocked and it is reported from Kongmoon that this has been done in anticipation of surprise attack. Local authorities there say they expect about 100 fishing junks and motor boats to come from Formosa with 7000 marines.<sup>93</sup>

Military has been recently removing airplanes repair factory and other military equipment from Canton; southward troops movements evidently to meet expected Japanese naval attacks below Bocca Tigris and Bias Bay are reported.

Strict martial law enforced last night, police and gendarmes searching and later stopping all street traffic. Restrictions relaxed today but authorities still displaying special vigilance. Informed by military headquarters spokesman that precautions due to intelligence reports that Japanese have been assisting Chinese traitors in plot to organize anti-Central Government agitation awards [*among*] disgruntled statesmen, officials and National Council groups, timed to coincide with intensive air and naval attacks. Numerous arrests of Japanese spies at Canton reported. Likelihood of any pro-Japanese coup believed remote.

As predicted Japanese planes appeared over Canton today in repeated flights of small groups which scouted extensively over city at low attitude [*altitude*] but dropped no bombs in city proper. Samshui Railway heavily bombed. Chinese ground fire most vigorous yet seen reportedly brought down two planes. Japanese scouting flights are becoming increasingly extensive. Yesterday about 40 planes in small groups engaged in some 15 flights over all railways, principal highways, delta and other points but actual raiding practically confined to a few bombs on main railways.

Mailed Hong Kong.

LINNELL

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<sup>93</sup> Navigation on the river was reopened February 15.

793.94/12432 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*CANTON, February 16, 1938—4 p. m.  
[Received February 16—8:55 a. m.]

Foreign flag, chiefly British, Canton bound river steamers including A. P. C.<sup>94</sup> oil lighters on first voyage following reopening of river signaled and boarded by two parties from three Japanese destroyers below Bocca Tigris yesterday and warned dangerous to proceed because forts likely to be shelled. China navigation steamer *Fatshan* proceeded Canton despite warning without incident reporting a few shells heard but no bombardment. All other vessels returned Hong Kong or Macao. Believed Japanese hoped by action to discourage river traffic.

Press reports recent courtesy visit to Canton of Eighth Route Army representative.

Mailed Hong Kong, Tokyo.

LINNELL

793.94/12596 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*CANTON, March 7, 1938—5 p. m.  
[Received March 7—10:28 a. m.]

Chinese military authorities have given notice that foreign, naval and merchant vessels should not attempt to pass Bocca Tigris forts in foggy weather and may be stopped during such weather, owing to difficulty of verifying flags and signals from Chinese lookout station.

Repeated to Hankow and Peiping. Mailed to Hong Kong.

LINNELL

811.30 Asiatic Fleet/444

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

[WASHINGTON,] March 10, 1938.

It has been the practice for many years for units of the United States Asiatic Fleet, whose headquarters are at Manila, to spend the summer season, from early in May to early in November, in north China waters. The flagship and the destroyer squadron, usually comprising some eleven or twelve units, generally base on Chefoo, and the

<sup>94</sup> Asiatic Petroleum Company (British).

submarine flotilla, usually comprising seven or eight units, generally bases on Tsingtao. It is, of course, considered very desirable, from the point of view of health and general welfare, that the personnel of these vessels pass the summer months in places where the climate is fresher and more bracing than it is in Philippine waters.

During the past few months both Chefoo and Tsingtao have been occupied by the Japanese army. Apparently this step has taken place with little disorder, and there is at present little indication of any organized resistance on the part of the Chinese inhabitants. It is possible, therefore, that a visit of the fleet to these cities during the coming summer would be accomplished without any serious difficulty. Furthermore, a failure of the fleet to pay its customary visit to these ports might lead to the undesirable impression that we were unduly influenced by political changes in that area to which the American Government objects.

On the other hand, if the fleet should visit north China this year, the Government might be subjected to criticism on the ground that it had failed to exercise sufficient precaution toward avoiding a possible incident. There have been indications that the long campaign in China has tended in certain instances to affect adversely the morale and conduct of various units of the Japanese army. The bombing of the U. S. S. *Panay*<sup>95</sup> and other recent incidents involving Japanese and American military units may also have tended to ruffle the tempers of the rank and file of the American fleet. In the circumstances, the possibilities of friction at Chefoo and Tsingtao between the personnel of the two armed forces should be given serious consideration.

Tsingtao is one of the main ports of north China. It is the terminus of a railway which joins at Tsinan with the Tientsin-Pukow railway, the main artery of communication between north and central China. Although it is understood that this railway has been cut in several places by Chinese agents, yet it will probably be repaired and in good running order before summer. Offering better port facilities than Tientsin, Tsingtao is an important port for the landing of troops and munitions from Japan. In view of the recent increased activity of the Chinese air force, it is within the range of possibility that an effort will be made to bomb the city. The presence of American vessels in the port might then be a source of serious embarrassment to this Government.

Although no port in North China is completely free from political tension and an extended visit from the United States Asiatic Fleet

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<sup>95</sup> See *Foreign Relations*, 1937, vol. iv, pp. 485 ff., and *Foreign Relations*, Japan, 1931-1941, vol. i, pp. 517 ff.

to any North China port would therefore be attended by some risk of incidents affecting Japanese-American relations, it is felt that, in as much as (1) there is no railway communication between Chefoo and Central China, (2) there has been an almost complete absence of disturbances at Chefoo during the present crisis, and (3) there would seem to be slight probability that large contingents of Japanese troops will be stationed at Chefoo, the risk of incidents at that port would be considerably less than elsewhere in North China. It is therefore recommended, if it is decided that the advantages of a visit by the Fleet outweigh the disadvantages, that the Fleet confine its regular summer visit to Chefoo. Units of the Fleet might pay occasional visits from Chefoo to Tsingtao. Consideration might be given also to arranging that the number of units of the Fleet visiting north China be smaller than usual and that the period of the visit be shorter than has been the case in the past.<sup>96</sup>

M[AXWELL] M. H[AMILTON]

793.94112/167 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOkyo, March 21, 1938—4 p. m.  
[Received March 21—9:05 a. m.]

189. Following is translation of a circular note received last night from the Minister for Foreign Affairs.

"Tokyo. March 20, 1938. Excellency: The Japanese Navy is now taking measures to make even more effective the blocking of communications at the mouth of the Pearl River near Canton, and, according to recent reports, vessels proceeding from Kwangchou Bay along the China coast to Hong Kong are frequently entering and leaving the area of operations of the Japanese Navy. Among such vessels, there are a number which proceed on courses which render them liable to be confused with enemy vessels. I have the honor accordingly to request that the information be communicated to vessels belonging to your country that, whenever passing south of the mouth of the Pearl River, they should approach Mamichow (three characters 'Horse Tail Island') lighthouse as closely as possible in order that the danger of occurrence of unfortunate errors involving the Japanese Navy may be avoided."

Repeated to Shanghai for communication to the Commander-in-Chief and relay to Hankow.

GREW

<sup>96</sup> These recommendations were followed substantially by the Asiatic Fleet.



793.94112/168 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, March 21, 1938—5 p. m.

[Received March 21—9:40 a. m.]

190. Following is translation of a circular note received last night from the Minister for Foreign Affairs:

"Tokyo, March 20, 1938. Excellency: According to reliable information obtained by the Imperial Government, the Chinese are now extensively using junks for the transportation of arms and munitions in the vicinity of Canton with a view to invading the area within which communications are being effectively blocked by the Japanese Navy. In the event of occasion arising for making even more strict the control of such junks, it may become necessary to subdue by force those junks which offer resistance. Accordingly, with a view to avoiding unfortunate incidents arising involving junks belonging to third countries, it is requested that those who may be concerned be informed of the desire that junks belonging to American nationals carry vertical and horizontal markings clearly discernible from a distance."

Repeated to Shanghai for communication to the Commander-in-Chief and relay to Hankow.

GREW

793.94112/170 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, March 23, 1938—4 p. m.

[Received March 23—9:34 a. m.]

195. Our 189, and 190 of March 21, 4 and 5 p. m., respectively. Circular notes regarding vessels navigating south Pearl River and marking of junks.

My French colleague has furnished me with copies of two formal notes dated March 21 acknowledging the receipt of the circular notes and stating that contents will be brought to the attention of his Government and making, meanwhile, full reservations in behalf of his nationals in respect of any injury or loss to French property or of the right of French vessels to navigate any course.

My British colleague informs me that he has cabled contents of notes to his Government and is awaiting instructions.<sup>97</sup>

Repeated to Shanghai for Hankow.

GREW

<sup>97</sup> The British Ambassador replied on May 19 similarly to the French.

793.94112/168 : Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, March 23, 1938—9 p. m.

227. Unless after consultation with the Commander-in-Chief you perceive objection thereto the Department suggests that you repeat Tokyo's 189, March 21, 4 p. m. and 190, March 21, 5 p. m. to Canton and Hong Kong with the request that those offices bring the contents of the telegrams under reference to the attention of American shipping firms for such action as the firms may deem appropriate.

HULL

793.94112/170 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, March 25, 1938—7 p. m.

106. Your 195, March 23, 4 p. m. In view of the repeated general reservations already made in behalf of American rights, the Department is of the opinion that no reservations need be made in respect to the two circulars under reference. If, however, after consultation with your British and French colleagues you consider that a useful purpose would be served thereby you are authorized to make reservations along the line made by your French colleague as indicated in your telegram under reference.

HULL

793.94112/183 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, May 20, 1938—6 p. m.

[Received 7:23 p. m.]

697. Following from Tokyo :

"May 20, 11 a. m. Embassy's despatch No. 2914, May 2, 1938; <sup>98</sup> interference with British shipping on the Yangtze. My British colleague has just given me the Japanese reply to his memorandum of April 11 the pertinent portion of which reads as follows :

"That it is the intention of the Imperial Government to respect the freedom of navigation of shipping of third powers on the Yangtze and other inland waterways in Central China was stated in my note referred to above and there has been no subsequent change whatever in the intentions of the Imperial Government in this respect. It goes without saying then, that, when the safety of navigation of general shipping on these waterways can be guaranteed and the necessities of strategical considerations disappear, the freedom of such navigation will be restored. But, according to the information of the Imperial

<sup>98</sup> Not printed.

Government, conditions of peace and order in the Yangtze area are not yet restored and the state of affairs is such that the free navigation of general shipping would as before be attended with considerable danger. Especially are the Tungchow and Tsungming island regions still infested today by large numbers of stragglers of the defeated armies and by bandits, which the Japanese forces are doing their utmost to suppress and to maintain order. Not only can it not yet be said that the military operations in these areas have reached a decisive stage, but also the course of the Yangtze from Shanghai to Nanking and Wuhu, constitutes one of the most important strategic lines of communication of our forces in Central China. To open this section to navigation by general merchant shipping would be to court the grave danger of our strategic secrets falling into the hands of the Chinese and, in the above circumstances, it is not yet possible to open the Yangtze to the free navigation of the shipping of the powers.

Further, the permit system, which was enforced on the 21st March covering navigation on the internal waterways of the Central China region, is a provisional arrangement based upon consideration of the dangers attending free navigation and upon strategical necessity. It is therefore earnestly hoped that the British side will also appreciate the above facts and cooperate in the smooth enforcement of the system and will see to it that British ships intending to navigate the rivers in the area in question will acquire the permits issued in conformity with the system by the military and naval authorities.'

Please repeat to Hankow and to the Department as our 320, May 20, 11 a. m. Grew."

LOCKHART

793.94/13203 : Telegram

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

HANKOW, June 12, 1938—11 a. m.

[Received June 12—8:15 a. m.]

284. Shanghai's 812, June 11, noon<sup>99</sup> and 813, June 11, 1 p. m.<sup>1</sup> Admiral Yarnell and Admiral Le Breton<sup>2</sup> have been furnished copies of these two notes. I shall make no reply until I receive Admiral Yarnell's reactions in this matter. By way of comment I may add that American naval vessels are already distinguished from Chinese vessels by deck painted white with buff upper works and therefore easily distinguishable. Furthermore, as demonstrated in the case of the *Panay*, one place on the river is no safer than another if Japanese do not intend to respect interests of third nationals. Positions of American naval vessels have from time to time been and will continue to be notified to Japanese so that they can easily be put on notice as to where they are and where their duties require them to be.

Repeated to Shanghai and Peiping; Shanghai please repeat to Tokyo.

JOHNSON

<sup>99</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 597.

<sup>1</sup> *Ibid.*, p. 598.

<sup>2</sup> Rear Adm. David McDougal Le Breton, U. S. N., Commander, United States Yangtze Patrol.

793.94/13240 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 16, 1938—7 p. m.  
[Received June 16—12:06 p. m.]

851. Your 381, June 15, 6 p. m.<sup>3</sup> Following is my June 13, 7 p. m., to Tokyo:

"June 13, 7 p. m. My 812, June 11, noon<sup>4</sup> and 813, June 11, 1 p. m.<sup>5</sup>  
1. I have communicated a reply to Minister Tani, the substance of which is as follows:

'I have been advised by Admiral Yarnell that there are no United States vessels in the Yangtze between Wuhu and Hukow at this date. However, Admiral Yarnell plans to visit in that vicinity on the 24th and 25th off shore in the U. S. S. *Isabel*. It will depend on what assistance American nationals may need in that locality as to future presence of our vessels there, at which time due notice will be given to both the Chinese and Japanese, and this will include areas above Hukow. Admiral Yarnell also adds that due care will be taken as to unnecessary exposure in those areas, but that assistance to Americans evacuating is of paramount importance to the Navy and will be carried out; and the information given in Tani's letter of June 11 does not in the slightest degree relieve the Japanese Government of responsibility for any harm to our vessels or personnel. Further, that our vessels are painted white and have large flags painted on their awnings, and should be apparent [at?] several thousand feet altitude.'

2. It is suggested, with which suggestion Ambassador Johnson concurs, that the substance of the foregoing be communicated, in your discretion, to the appropriate Japanese authorities. Lockhart."

This telegram was not repeated to Department by an oversight.  
Following is my June 13, 10 a. m., to Hankow:

"June 13, 10 a. m. Your June 12, 2 p. m. I believe Admiral Yarnell's 0012-1032<sup>6</sup> should be telegraphed to the proper authorities with a view to the Ambassador, in his discretion, communicating the substance to the Foreign Office. Please instruct me. Lockhart."

Following is Ambassador Johnson's reply:

"June 13, 2 p. m. Your June 13, 10 a. m. Your suggestion approved. Please telegraph Tokyo.<sup>7</sup> Johnson[.]"

Repeated to Hankow.

LOCKHART

<sup>3</sup> Not printed.

<sup>4</sup> *Foreign Relations*, Japan, 1931-1941, vol. I, p. 597.

<sup>5</sup> *Ibid.*, p. 598.

<sup>6</sup> See telegram No. 286, June 12, 1 p. m., from the Ambassador in China, *ibid.*, p. 600.

<sup>7</sup> For action at Tokyo on June 14, see *ibid.*, p. 601.

893.811/998 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 25, 1938—10 a. m.

[Received June 25—8 a. m.]

900. The Japanese military who seized the vessels and equipment of the Whangpoo Conservancy Board soon after the present hostilities began have persistently refused to return these vessels and equipment to the Conservancy Board, and have forced the abandonment of the general conservancy work and used some of the vessels for dredging along the Japanese owned wharves in the Whangpoo. All efforts to persuade them to restore the conservancy work to normal have failed and shipping companies have in recent weeks been forced to fall back upon private dredging operations. This question was gone into with the Japanese Consul General by the Senior Consul, the British Consul General and myself recently and it was pointed out that the Whangpoo is rapidly deteriorating as a navigable stream. The Japanese insist that, as a condition precedent to returning the vessels and equipment to the control of the Conservancy Board, the Board agree to the appointment of a Japanese engineer-in-chief along with a secretary to be attached to the Board, a second officer on one of the dredgers, a third officer on another, a second engineer on still another, and a chief officer of a buoy tender, all to be of Japanese nationality. It is possible that the Board, which may seek the concurrence of the interested consular officers, while agreeing to the appointment of the subordinate officers above mentioned, will propose as an alternative to the Japanese proposals that the title of the new engineer post shall be associate engineer-in-chief and that the appointment shall be only for the duration of the Sino-Japanese conflict; that the present Chinese engineer-in-chief shall remain in office; that the new associate engineer-in-chief shall possess the [a?] good knowledge of English; that all vessels, equipment, et cetera, shall be returned to the Whangpoo Conservancy Board before the associate engineer assumes office, and that a definite date for the resumption of normal conservancy work shall be given.

2. I am doubtful whether the Japanese will agree to this alternative proposal, but I should like to know whether the Department perceives any objection to my associating myself with my other interested colleagues in recommending a settlement of the controversy substantially on the above lines. The fact remains that if the conservancy work is not resumed in the reasonably near future, the conditions along the Whangpoo will be such that large vessels cannot enter the port of Shanghai.

Repeated to Hankow and Peiping.

LOCKHART

893.811/998: Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, June 29, 1938—3 p. m.

407. Your 900, June 25, 10 a. m., Whangpoo Conservancy Board. The Department authorizes you to associate yourself with your other interested colleagues in recommending a settlement of the controversy as suggested in paragraph 2 of your telegram under reference.

HULL

793.94/13346: Telegram

*The Commander in Chief, United States Asiatic Fleet (Yarnell), to the Chief of Naval Operations (Leahy)*<sup>8</sup>[HANKOW,] June 29 [30<sup>th</sup>], 1938—12:12 p. m.

[Received 1:05 p. m.]

0029. Chinese Foreign Office advises river officially blocked above Lienchiachen from 29 June but off record states river navigable along north bank slow speed another 48 hours. Plan *Monocacy* remain Kiukiang unchanged.

793.94/13394: Telegram

*The Commander in Chief, United States Asiatic Fleet (Yarnell), to the Chief of Naval Operations (Leahy)*<sup>9</sup>

[HANKOW,] July 6, 1938—3:15 p. m.

[Received July 7—10:15 a. m.]

0006. Following received from *Monocacy*.

"1006. Following received from garrison's commander as emanating from Generalissimo."<sup>10</sup>

'You are to at once notify all foreign gunboats in Kiukiang, as well as all foreign merchants floating units, to the effect that upon their receiving of this information all of them should immediately sail to places above Wusueh' (mileage 457).

'The river will be mined and blockaded between Kiukiang' (mileage 431) 'and Matutseng' (mileage 457) 'and actually blocked up, having notified all parties concerned we would hereby request you to sail to place beyond Wusueh so that we can start our mining work.'

Commanding officer interviewed garrison commander. Am not moving at present but prepared to move to mileage 446 when considered interfering and unsafe. 1310."

<sup>8</sup> Copy of telegram from the Commander, United States Yangtze Patrol (Le Breton), to the commanding officer of the U. S. S. *Monocacy*; transmitted to the Department by the Navy Department.

<sup>9</sup> Copy of telegram from the Commander, United States Yangtze Patrol (Le Breton); transmitted to the Department by the Navy Department.

<sup>10</sup> General Chiang Kai-shek.

793.94/13412: Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, July 9, 1938—2 p. m.

[Received 4:45 p. m.]

969. I received today from the Japanese Consul General through the Senior Consul the following statement:

“(1) It is a matter of deep gratification to the Japanese naval authorities that thanks to the readiness with which the authorities of the various foreign powers concerned complied with the request of the Commander-in-Chief of the China Seas Fleet, I. J. N., as conveyed by the communication dated June 11th,<sup>11</sup> that vessels of third powers should not enter the Yangtze waters between Wuhu and Hukow, no incident involving a third power has occurred and no casualty, either of life or property, has been suffered by a third party national resident in Anking notwithstanding the heavy fighting that has been going on in that area and the furious attacks to which vessels on the river have been subjected by both the Japanese and Chinese air forces under extremely bad weather conditions.

In this section of the river the Chinese forces have laid many hundreds of mines. And although our fleet has already discovered and destroyed approximately 300 of them, there are yet many more drifting in the muddy waters and are a source of great danger because no safety device has been attached to them. And as the Chinese make their retreat, taking advantage of every little creek and by the use of gunboats, mine-layers, small steamers and junks, they are continuing their mine-laying operations. Cooperating with these river units are other Chinese forces lurking all along both banks of the river; and it must be expected that fighting will continue in this area for some time to come.

Consequently we hope it may be understood that the time has not yet come when the Commander-in-Chief of the China Seas Fleet, I. J. N., can consider that no tactical difficulties will be presented by the entry of naval vessels and other ships of third powers into the above-mentioned area.

(2) With the occupation of Hukow by the Japanese forces, the section of the Yangtze River between Hukow and Hankow, as well as the lake districts adjacent thereto, has already become a battlefield. Especially intensive fighting is taking place in the area between Hukow and Whangshikong, where the Chinese forces now appear to be busily engaged in laying mines in the river. And as it is necessary for our fleet to shell and bomb the vessels thus engaged, as well as the forts on the river bank, it is hoped that all naval vessels and other ships of third powers will leave this danger zone as quickly as possible in order to avoid any casualties.

(3) Near Matung, the Chinese had constructed an extremely strong boom across the Yangtze River completely cutting off all traffic.

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<sup>11</sup> See telegram No. 812, June 11, 1938, from the Consul General at Shanghai, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 597.

Upon taking possession of this boom, our fleet opened a passage through it. This passage, however, has been opened solely for reasons of military necessity, so that our consent to its use by any vessel other than those of our naval and military forces cannot be given until such time as the Commander-in-Chief considers that such use will not interfere with the operations of the Japanese forces.

(4) With regard to our request that some way be devised to render the vessels of third powers more easily recognizable, we deeply regret that the replies received from the powers concerned were to the effect that they considered the flags printed on the awnings to be sufficient. From the experiences of our air forces in the present hostilities, we have found that it is impossible for a flyer to distinguish anything like a flag painted on the awning unless he comes so low as to be greatly exposed to the enemy's anti-aircraft artillery fire; and that, even at such low altitude, such factors as the position of the vessel in relation to the sun, direction in which the vessel is pointed and the direction of attack may make it extremely difficult to distinguish such marking. There are, moreover, cases in which it is almost impossible to distinguish the flags from any distance because they have faded and the awning has become soiled with the passage of time.

It was for such reasons as these that the earlier request was especially made. We deeply appreciate the good will shown by the Standard Oil Company in making its vessels clearly distinguishable by painting the upper half of their hulks. With regard to all other foreign vessels, we cannot but request the authorities and interests concerned once more that, upon reconsideration of this matter, they might arrange to have the vessels made more easily distinguishable by some such device as having them painted in special colors, by flying long streamers from the masthead, by means of lights, et cetera, and thus cooperate with us in our effort to prevent unpleasant questions with third powers arising through mistakes.

(5) Since the use of flags of third powers by the Chinese on their vessels, buildings and other establishments might give rise to situations mutually objectionable and unpleasant, it is hoped that strict measures will be taken by the powers concerned to prevent such use by the Chinese.

(6) The hearty cooperation which the powers have given in many ways to meet the request which the Commander-in-Chief of the China Seas Fleet made out of his desire to prevent mutually undesirable casualties to foreign vessels of war and other ships is deeply appreciated. Especially helpful have been the detailed reports we have received concerning the movements of foreign ships, and we hope that we may continue to be informed of the positions and movements of foreign ships above Hukow without delay.

Contact between the Japanese naval authorities and the powers concerned should, for the most part, be maintained as heretofore between the naval representatives at Shanghai."

Repeated to Hankow, by mail to Peiping and Tokyo.

LOCKHART



793.94/13413 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, July 10, 1938—5 p. m.

[Received July 10—9 a. m.]

976. Following from Hankow:

"July 10, noon. Your 969 of July 9 to the Department. Please inform the Japanese Consulate that U. S. S. *Monocacy* is quite unable to proceed above Whangshikong as river has been mined and blockaded, that *Monocacy* is proceeding this afternoon to anchor 3 miles above Kiukiang accompanied by Standard Oil Co.'s vessel, that place in question will be a concentration point for all third country non-combatant shipping during hostilities at Kiukiang, that place is in open river easily seen from air and that Japanese military and air force should be instructed to be on lookout for ships and give them all needed protection. Please inform the Department. Johnson."

Japanese Consulate General has been informed.

LOCKHART

811.30 Asiatic Fleet/457 : Telegram

*The Consul at Tsingtao (Sokobin) to the Secretary of State*

TSINGTAO, July 14, 1938—3 p. m.

[Received 9 p. m.]

In granting permission to the Standard Oil Company to discharge bulk gasoline from tank steamer through pipe line, part of gasoline being for use of United States Navy, Japanese Consul General has written to this Consulate as follows:

"In this connection, it has to be added that the Japanese naval authorities expect to be consulted beforehand whenever any vessel belonging to the United States Navy desires to pass the channel lane through the boom in order to take submarined gasoline through the pipe line and it has also to be understood that there may be occasion when from the necessity of naval operations the Japanese naval authorities will not be able immediately to comply with the request of the American naval authorities of sending their vessels into the great harbor in future."

I am giving to our Admiral a copy of the letter from the Japanese Consul General. As far as this Consulate now understands, it will not be necessary for our Navy to take delivery of gasoline through pipe line.

Sent to Peiping, Hankow.

SOKOBIN

811.30 Asiatic Fleet/460 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, July 17, 1938—1 p. m.  
[Received July 18—6:45 a. m.]

473. At 11:10 this morning the Senior Aide to the Navy Minister, Captain Kondo, stated the following to the Naval Attaché:

"1. The Japanese naval authorities are extremely worried over the presence of the U. S. S. *Monocacy* near Kiukiang. While they are taking all precautions to prevent the recurrence of any untoward incident, having in mind the extremely unfortunate *Panay* case, the Japanese naval authorities request that in view of the impending heavy fighting in and around Kiukiang, the *Monocacy* be for the present withdrawn upriver to Hankow.

2. If this movement be impossible (as, for example, due to mines or boom), the *Monocacy's* location be beforehand communicated to the Japanese commander and the *Monocacy* be marked or painted so as to be readily identified from afar (and high aloft). In view of the Japanese Navy's experience that flags on masts or spread of awnings are not visible from great heights, and as the river from a height appears white and the color of a vessel's hull therefore is difficult to distinguish, the Japanese Navy desires that appropriate distinguishing mark(s) be used by the *Monocacy*. It was suggested that a 'wind sock' or flashed mirror (heliograph) be used in day and a search light by night."

The Naval Attaché states that Captain Kondo emphasized that the Japanese (1) requested the *Monocacy's* withdrawal, (2) desired the *Monocacy* to be especially marked or otherwise be made distinctly recognizable from afar (and from high aloft).

Repeated to Shanghai for relay to Hankow and to the Commander-in-Chief.

GREW

811.30 Asiatic Fleet/461 : Telegram

*The Commander in Chief, United States Asiatic Fleet (Yarnell), to the Chief of Naval Operations (Leahy)*<sup>12</sup>

[HANKOW,] July 17, 1938—6:18 p. m.  
[Received July 19—7:30 a. m.]

0017. Plan *Monocacy* proceed Shanghai after order restored Kiukiang assuming arrangement possible with Japanese Navy. Sufficient coal present anchorage until about 9 August, additional for 7 weeks at anchor plus 50 tons for use underway available at Standard Vacuum installation plants and *Guam* to remain Chungking with

<sup>12</sup> Copy of telegram from the Commander, United States Yangtze Patrol (Le Breton); transmitted to the Department by the Navy Department.

Embassy, sufficient fuel here for 4 months with 6 months additional supply at Ichang which can be transported Chungking by Standard Vacuum tanker *Meilu*, provided river not blocked above Ichang before December. *Meilu* unable make trip during high water, plan *Luzon*, *Tutuila* remain Hankow, proceed Shanghai after fall city and restoring order, sufficient fuel for these until January at Hankow with probable additional stocks by rail, alternative plan *Guam* return Hankow after transporting Embassy [to] Chungking if you consider inadvisable risk exhausting fuel in 4 months.<sup>13</sup>

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793.94/13528 : Telegram

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

HANKOW, July 22, 1938—3 p. m.

[Received 8:55 p. m.]

364. Shanghai's 969, July 9, 2 p. m. Official report now received by mail under seal of a letter signed by Morishima<sup>14</sup> "for Minister of War" the text of the statement quoted in Shanghai's telegram under reference.

Unless instructed otherwise I shall simply make formal acknowledgment of this communication.

Repeated to Shanghai.

JOHNSON

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811.30 Asiatic Fleet/460 : Telegram

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

WASHINGTON, July 24, 1938—1 p. m.

214. Tokyo's 473, July 17, 1 p. m., your 361, July 19, 11 a. m.<sup>15</sup> and recent press reports. I cannot too emphatically express my hope that no unfortunate incident will occur through the presence of American naval vessels in zones of intensive military operations. There is much more involved and at stake than what is involved in any local situation. I desire that you give intensive thought and care to the problem of there being incurred in connection with the placing and the operation of our naval vessels no unnecessary risks, either physical or political. I suggest that there be avoided express refusals to comply with Japanese or Chinese requests, suggestions or notifications; that if and when replies are made, their tone be made conciliatory; and that movements and operation of vessels be at all times

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<sup>13</sup> This plan was approved by Admiral Yarnell, including the transfer of the U. S. S. *Guam* to Chungking.

<sup>14</sup> Japanese Counselor of Embassy in China at Shanghai.

<sup>15</sup> *Post*, p. 408.

such as to avoid fact or implication of being obstructive. I have neither authority nor desire to give commands regarding naval operations, especially at long range; but I am responsible in regard to the conducting of the foreign relations of the United States as a whole, and I am extremely solicitous that important efforts in other connections be not jeopardized by possible occurrence of unfortunate incidents in the local situation. Please give your best thought and most earnest appropriate attention to this problem and keep me fully informed of all developments and possibilities.

Repeat to Tokyo as Dept's No. 257 and Shanghai as Dept's No. 460.

HULL

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811.30 Asiatic Fleet/466 : Telegram

*The Consul at Chefoo (Roberts) to the Secretary of State*

CHEFOO, July 25, 1938—2 p. m.

[Received July 25—1 p. m.]

A clash between United States Navy personnel and local police took place ashore July 20, 9 p. m., in which a drunken sailor or sailors assaulted four police including the Japanese national who administers the Bureau of Police through his puppet chief. Preliminary investigation indicated Navy responsibility and the incident has now been settled by:

- (1) Expression of regrets by Consul on behalf of Commander-in-Chief and Consulate.
- (2) Promise to punish naval personnel responsible for disturbance.
- (3) Reimbursement of medical expenses and cost of torn uniforms amounting to approximately \$55 United States currency.
- (4) Assurance that all necessary measures will be taken to prevent recurrence of the incident.

A second incident occurred July 22nd during the naval preliminary investigation when Mr. Fuku, Japanese Chief of General Affairs Department of Police Bureau but actually Chief of Police, insulted Americans in general, American Consul present, and naval officers present in long tirade flourishing an automatic pistol. Consulate reported actions to Japanese Consul and incident now settled by acceptance of full apology from Mr. Fuku made in the presence of high ranking United States Navy officers, American Consul, puppet Chinese Chief of Police and subordinate police officials. These details of incidents considered closed, transmitted to forestall possible sensational publicity in press.

Repeated to Embassy at Hankow.

ROBERTS

811.30 Asiatic Fleet/460 : Telegram

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

WASHINGTON, July 26, 1938—6 p. m.

218. Department's 214, July 24, 1 p. m., in regard to American naval vessels and telegram 0024-1054 of the Commander of the Yangtze Patrol<sup>16</sup> reporting location of foreign naval vessels on the Yangtze.

With regard to the hope expressed in my telegram under reference that no unfortunate incident will occur through the presence of American naval vessels in zones of intensive military operation, I had in mind not only the *Monocacy* but especially our vessels now stationed at Hankow if and when the Japanese approach that city. It is assumed that you and the Commander of the Yangtze Patrol are keeping in close touch with your interested colleagues and associates in regard to appropriate cooperation and coordination in the activities and stationing of the vessels of the different foreign patrols. I am confident that, in process of such consultation, you are giving careful consideration to the question of disposal and operation of American vessels in a manner calculated to enable them most effectively to carry out their missions of affording reasonable protection to Americans and at the same time to avoid incurring undue risks.

Please keep me fully informed of all developments bearing upon the above problem.

Repeat to Tokyo as Department's 258, July 26, 6 p. m., and to Shanghai as Department's 462, July 26, 6 p. m.

HULL

811.30 Asiatic Fleet/468 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, July 27, 1938—9 a. m.

[Received July 27—4 a. m.]

466. [Following to Chefoo:] Your July 25, 2 p. m., has been repeated to Tokyo. Embassy is pleased that both incidents are settled but notes that 5 days elapsed between the occurrence of first incident and your reporting thereon and that without obtaining instructions you took formal action involving acceptance of conditions in the first incident including formal expression of regrets by you as American Consul. In this particular connection, the Embassy is of the opinion that expression of the regrets of Admiral Yarnell, if authorized by him, would more appropriately have been made by an American naval officer.

<sup>16</sup> Latter not printed.

2. Please report fully concerning both incidents including information as to whether the terms of settlement of the first incident, which appear to involve commitments by the United States Navy, were authorized by Admiral Yarnell.

3. Sent to Chefoo; repeated to Hankow, Tokyo.

SALISBURY

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811.30 Asiatic Fleet/470: Telegram

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

HANKOW, July 28, 1938—11 a. m.

[Received July 28—10:40 a. m.]

380. Department's 218, July 26, 6 p. m. Besides daily conferences with Admiral Le Breton, I have weekly conferences attended by staffs of the Embassy and Consulate General and Admiral and his staff. We exchange information and daily discuss these matters. I have not been in the habit of discussing these matters of cooperation and coordination with my diplomatic colleagues as I have, as has been customary, [apparently garbled] accompanying with the Admiral who is in daily contact with the British Admiral and when necessary with senior officer commanding two French gunboats on the river at Hankow. The French gunboats are tied up here at Hankow off the French concession and will be entirely concerned with the protection of that concession.

There are five American gunboats on the river. The *Oahu* and the *Monocacy* are now in the Japanese occupied section. At Hankow at the present time there are the *Luzon*, flagship of the Admiral, and the *Guam* and *Tutuila*. I expect to board the *Tutuila* on August 2 with my staff and proceed to Chungking. This will leave two gunboats, the *Luzon* and the *Guam*, here at Hankow. They will remain at Hankow to cooperate with the Consulate General in giving such protection as may be possible to American citizens if and when the Japanese approach Hankow.

I have every confidence in the judgment of Admiral Le Breton. I am certain that he shares with the Department and myself a keen desire to see that his vessels perform their missions here on the river as effectively as possible while at the same time avoiding undue risks. I know that he and the officers under his command are constantly mindful of this. At the same time we are also mindful of the fact that there is nothing that we can do to protect ourselves from a deliberate attack such as was made upon the *Panay* nor from accident. Every time there is an air raid here at Hankow there is always the possibility of an accident from bombs dropped from the heights at which the planes fly. We feel safe, however, under all ordinary conditions

knowing that neither Japanese nor Chinese want to attack us and that they will be on the lookout for us if continually made aware of our presence. The Navy is in daily contact with the Japanese Navy at Shanghai.

Repeated to Shanghai. Shanghai please repeat to Tokyo.

JOHNSON

811.30 Asiatic Fleet/469: Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, July 28, 1938—3 p. m.

[Received July 28—7 a. m.]

472. Embassy's 466, July 26 [27], 9 a. m. Following from Chefoo:

"July 27, 10 p. m. Your July 27, 9 p. m. [*a. m.*] Commander-in-Chief of Asiatic Fleet authorized terms of settlement and asked me to settle incident. Full report mailed yesterday.<sup>17</sup> In future Embassy will be notified of such incidents immediately and its instructions awaited. Sorry I did not understand Embassy wanted this."

Chefoo is being instructed to mail to Tokyo for record copy of report mentioned above.

SALISBURY

811.30 Asiatic Fleet/468: Telegram

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

WASHINGTON, July 28, 1938—6 p. m.

220. Peiping's 466, July 27, 9 a. m., and Chefoo's July 25, 2 p. m., in regard to clash between American naval personnel and local police on July 20, and insolent behavior of a police officer at Chefoo on July 22.

1. The Department desires that instructions to consular officers in China in regard to matters directly bearing upon our foreign relations be issued by you or in your name and with your prior approval. Please so instruct Peiping and Nanking.

2. The Department considers that it was appropriate for the consul at Chefoo to express the regret of the American naval authorities and to give the other three assurances enumerated in the first paragraph of his telegram under reference, provided he had for that action the approval of the senior American naval officer present. The Department also notes with satisfaction that the consul was able apparently to settle the incident of July 22 locally upon satisfactory

<sup>17</sup> Not printed.

terms. There appears no indication in the consul's telegram of when he became aware of the incident that occurred on July 20 at 9 p. m., and the Department is confident that the consul has in mind the importance, under existing circumstances, of reporting as promptly as possible incidents involving Americans and Japanese in China.

3. Please convey to Roberts, in such manner as you may deem appropriate, the Department's comment on his action.

Repeat to Tokyo.

HULL

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811.30 Asiatic Fleet/473 : Telegram

*The Commander in Chief, United States Asiatic Fleet (Yarnell), to the Chief of Naval Operations (Leahy)*<sup>18</sup>

[TSINGTAO,] July 29, 1938—2:42 p. m.

[Received 3:05 p. m.]

0029. [For the Ambassador in China:] Reference recent incidents at Chefoo, consider it most desirable that minor affairs be settled locally as far as possible. Commander Japanese naval landing party and Jap Consul have been most reasonable, show great desire to maintain friendly relations and settle differences locally. Believe that if every incident must be referred elsewhere for settlement these two officials will change attitude and make situation more difficult. Incident of brawl between enlisted men and local police was settled by Consul on my recommendation. Consider our Consul and our senior naval officer Captain Carroll both men of sound judgment, capable of handling all minor matters. Do not anticipate any further difficulties at Chefoo.

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811.30 Asiatic Fleet/471 : Telegram

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

HANKOW, July 29, 1938—3 p. m.

[Received July 29—7:30 a. m.]

384. Embassy's 466, July 27, 9 a. m. from Peiping. I agree with viewpoint of Commander-in-Chief expressed in his 0029 April [*sic*] 1442 that, when local settlement possible as appears to have been the case at Chefoo in those incidents, a local settlement is advisable. If the Department agrees, I would appreciate appropriate instructions to Peiping and Chefoo.

Repeated to Peiping.

JOHNSON

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<sup>18</sup> Copy transmitted to the Department by the Navy Department.



811.30 Asiatic Fleet/476 : Telegram

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

HANKOW, August 1, 1938—10 a. m.

[Received August 1—10 a. m.]

391. Department's 214, July 24, 1 p. m. Kiukiang was occupied by Japanese forces on July 26. Commanding officer of U. S. S. *Monocacy* on July 30 called on senior Japanese naval officer in presence of Japanese Consul and informed him that on August 1 he desired to make contact with American nationals in the city of Kiukiang and stated that he intended to move *Monocacy* back to the installation of the Standard Oil Company. He was told that he could do none of these things for the present as war zone extended from Hukow to Kiukiang and that area off installation was dangerous due to the presence of mines. Commander of *Monocacy* stated that he desired to move to installation as being farther from war zone than his present position. The senior naval officer maintained that heavy guerrilla fighting continues about city and asked that *Monocacy* not move until word had been received from higher Japanese naval authorities.

It is not mandatory that *Monocacy* move. *Monocacy*, however, should be free to make contact with Americans and with American property.

On July 31 commanding officer of *Monocacy* received a letter from the senior Japanese naval officer stating that the military authorities in Kiukiang do not agree to his proposal for sending an officer into the city to make contact with American nationals nor does the higher naval authority at Nanking agree to the moving of the *Monocacy* and the equipment of the Standard Oil Company to the installation of the Standard Oil Company.

We have had no certain information regarding the welfare of American citizens in the city of Kiukiang since the Japanese occupied the city. Does the Department desire that Commander of *Monocacy* continue to discuss matter with senior Japanese naval officer or would it prefer take matter up in Tokyo on the ground that refusal to permit American Navy access to American nationals and to American property is an unjustified interference with our rights on the Yangtze and in China.

Repeated to Shanghai, please repeat to Tokyo.

JOHNSON

811.30 Asiatic Fleet/476: Telegram

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

WASHINGTON, August 1, 1938—6 p. m.

225. Your 391, August 1, 10 a. m., in regard to the *Monocacy*. The Department suggests that in your discussion of the matter with the Commander of the Yangtze Patrol you express the opinion that, although we do not admit Japanese right to limit the movements of our naval vessels, the Commander of the *Monocacy* might appropriately be instructed to inform the senior Japanese naval officer that, in the light of the advice regarding the presence of mines off the installation, he is not prepared to carry out his movement as planned but that he must insist that facilities be put at his disposal at an early moment for visiting Kiukiang to make contact with American nationals there. Although the Department does not wish at this stage to take up the matter at Tokyo, it perceives no objection to its being taken up with the competent Japanese military authorities at Shanghai should you and our naval authorities on the spot consider such action advisable.

The Department would appreciate being informed with regard to the present position and intentions of the British gunboat at Kiukiang.

Please repeat to Shanghai for repetition to Tokyo.

HULL

811.30 Asiatic Fleet/478: Telegram

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

HANKOW, August 2, 1938—11 a. m.

[Received August 2—7 a. m.]

395. My 391, August 1, 10 a. m. Commanding officer of *Monocacy* reported to Admiral Le Breton on August 1 as follows:

“Informed senior naval officer per your instructions, letter was read in officer’s presence. Japanese very cordially volunteered information that senior naval officer desired cooperate but acting under orders Nanking which understand originate from Army and that matter would now be placed hands higher authority Nanking deal with our similar people. Japanese asked if *Monocacy* had intended going down stream soon. Informed them you intend sending ship Shanghai. They regarded this reasonable. Inquired if they used channel, answer negative but expected have same swept 2 days.”

Repeated to Shanghai. Shanghai please repeat to Tokyo.

JOHNSON

811.30 Asiatic Fleet/479 : Telegram

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

HANKOW, August 2, 1938—2 p. m.

[Received August 2—7 a. m.]

396. Department's 225, August 1, 6 p. m.; and my 395, August 2, 11 a. m. Commanding officer of *Monocacy* is being instructed when calling again upon Japanese senior naval officer to insist that facility be placed at his disposal at an early date for making contact with American citizens in Kiukiang. Commander of Yangtze Patrol and I feel that he should not mention presence of mines as reason for not visiting Standard Oil installation as all concerned including Japanese senior naval officer know that only mines there would be floating ones, in other words only an excuse not believed in by either side for not visiting American property in question. Sooner or later *Monocacy* must visit installation to get supplies and coal stored there.

British gunboat and British merchant steamer with British nationals aboard are at present anchored close to *Monocacy*.

British equally denied access to shore and property. Commander of Yangtze Patrol is suggesting [to] commander that he place matter before senior Japanese naval officer at Nanking.

Repeated to Shanghai for repetition to Tokyo.

JOHNSON

793.94112/199 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, August 3, 1938—11 a. m.

[Received August 3—6 a. m.]

T. T. Quo, representing the Foreign Office, called this morning and requested me to inform the Embassy that beginning August 1st the Yangtze River had been blockaded by the Chinese from Tienchiachen to Shihhweiyao, Hupeh, and that third power naval and merchant vessels were asked take note. Station ship informed.

Sent to Embassy *Luzon*.

Repeated to Peiping and Shanghai.

JOSSLYN

811.30 Asiatic Fleet/481 : Telegram

*The Commander in Chief, United States Asiatic Fleet (Yarnell), to the Chief of Naval Operations (Leahy)*<sup>19</sup>

[SHANGHAI,] August 3, 1938—noon.

[Received 1:40 p. m.]

0003. Interview Chief of Staff Third Fleet, present my compliments Admiral Oikawa, states [*state*] that every effort has been made to assist Japanese forces by sending *Monoacy* clear of recent fighting Kiukiang and informing them of all her movements. Fighting is now over and though some mines may still be present it is obvious duty demands United States gunboat promptly gain touch with American nationals and assist them in every way; fuel also required. Request Admiral Oikawa issue necessary instructions in order for *Monoacy* to proceed installation not later than Friday after [*alter*] your movements as necessary to keep in touch with *Idzumo* until this matter settled. Advise result.

793.94112/201 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, August 8, 1938—10 a. m.

[Received 12:07 p. m.]

With reference to my telegram August 3, 11 a. m., T. T. Quo informed me this morning that he had received a telegram from the Foreign Office stating that on [*from*] August 6th the Yangtze has been blockaded between Shihweiyao and Hwangchow (according to the geographic [*Geological Survey*] Atlas, opposite Ocheng).

Station ship informed. Sent to Ambassador.

JOSSELYN

793.94/13649 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, August 11, 1938—1 p. m.

[Received August 11—10:35 a. m.]

1092. My 812, June 11, noon.<sup>20</sup>

1. I received this morning a note marked urgent under date of August 10th addressed to the Ambassador by Masayuki Tani, Japanese Minister at Large, reading as follows:

<sup>19</sup> Copy of telegram to the commanding officer of the U. S. S. *Oahu*; transmitted to the Department by the Navy Department.

<sup>20</sup> *Foreign Relations, Japan, 1931-1941, vol. I, p. 597.*

2. "I have the honor to state that I am informed by the Japanese naval authorities that the Chinese are using steam launches and junks in their hostile operations, such as laying mines, on the Yangtze between Kiukiang and Hankow, and that many a vessel flying a third power flag has been noticed operating in a suspicious manner in the immediate vicinity of the mine-laid area.

It is inconceivable that any third power vessel engaged in a peaceful trade should venture to be in such a dangerous place, and those vessels flying third power flags are considered to be Chinese military ships disguised as foreign ships for the purpose of evading attack from the Japanese forces.

It is to be recalled that the Japanese Navy, being anxious to avoid any possible mistake, requested on the 11th June to be kept informed of the whereabouts of each vessel, both naval and mercantile, of a third power, in the abovementioned region. When a small vessel is flying a third power flag and operating in a suspicious manner near the mine-laid area, it is almost impossible to ascertain its nationality from an aeroplane, and the sole means of distinguishing a neutral vessel from an enemy vessel is the notification by the former of its whereabouts.

I have, therefore, to request Your Excellency to be good enough to take the necessary steps in order that the American naval authorities may keep close contact with the Japanese Navy and notify it without delay of the whereabouts of each and every vessel, both naval and mercantile.

I wish to add that it is deemed desirable that a third power vessel which is so small that it is difficult to ascertain its nationality should refrain from entering the zone of activities of the Chinese forces."

Repeated to Chungking, Peiping, Tokyo and Commander-in-Chief United States Asiatic Fleet.

LOCKHART

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811.30 Asiatic Fleet/502 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, August 15, 1938—6 p. m.

288. The Navy Department has referred to this Department with a request for appropriate action a message from the Commander-in-Chief of the Asiatic Fleet, reading as follows :

"Necessary on account shortage fuel provisions and for relief of personnel *Monocacy* proceed Shanghai reference *Oahu* 1000 today and other despatches. Japanese Admiral refuses permission to vessel to pass down river this passage cannot conceivably interfere with Japanese military operations CinCaf<sup>21</sup> reluctant to bring about incident by directing *Monocacy* to proceed without Japanese consent. Request State Department take matter up with Tokyo in order secure assent to *Monocacy* passage to Shanghai. Request early action."

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<sup>21</sup> Commander in Chief, Asiatic Fleet.

According to a telegram from the U. S. S. *Oahu* to the Commander-in-Chief, the Japanese Admiral Oikawa has referred to his notice of July 8 (see Shanghai's 969, July 9, 2 p. m., which was repeated to you, especially numbered paragraph 3), and it would appear that the position of the Japanese authorities in regard to the right of foreign ships to traverse this section of the river is that having themselves cut a passage through the boom at Matang, the Japanese authorities have a right to close that passage to foreign vessels. This Government of course cannot admit any such right or the validity of the basis invoked in support of that asserted right.

Please urgently approach the Foreign Office in regard to this matter and ask that prompt instructions be given by the Japanese Government to the end that the opposition of the Japanese military authorities to the proposed passage of the U. S. S. *Monocacy* be withdrawn and appropriate facilities be extended the vessel in connection with its movement through the passage. In your approach it is suggested that you emphasize that this Government has been endeavoring to pursue a course which takes full cognizance of the fact that hostilities are in progress and which shall be in accordance with the principles of reason; that in pursuance of this course wherever possible we have informed both the Japanese and the Chinese authorities of the movements of our vessels and our vessels have sought to avoid being in areas where hostilities are in progress; and that in view of the course which we have consistently followed we feel that the Japanese authorities in their turn should meet our wishes, which are based on substantial reasons, in regard to this matter.

HULL

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811.30 Asiatic Fleet/504 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, August 16, 1938—7 p. m.  
[Received August 16—7:44 a. m.]

538. Department's 288, August 15, 6 p. m.

1. The case of the *Monocacy* was taken up today by us with the Foreign Office and by the Naval Attaché. We presented the considerations set forth by the Department, and added on our responsibility and initiative that the question was one of the greatest delicacy and required the utmost careful handling by the Japanese Government. We stated that, if the informal approaches made today failed to bring forth a favorable response, I would take the matter up with the Foreign Minister.

2. In the event that today's approaches prove to be abortive, has the Department further instructions to give me for my guidance in my proposed interview with the Foreign Minister?

Repeated to Shanghai for the Commander-in-Chief.

GREW

811.30 Asiatic Fleet/504 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, August 16, 1938—6 p. m.

290. Your 538, August 16, 7 p. m. The Department approves of the action taken by the Embassy and of the procedure which you have in mind. In the event that it becomes necessary for you to take the case up with the Minister for Foreign Affairs it is suggested that, in addition to emphasizing the points outlined in the last paragraph of the Department's previous telegram, you emphasize also the substantial reasons, as indicated by the Commander-in-Chief, for the *Monocacy's* proceeding to Shanghai. As the Department is unable to anticipate what objection, other than that indicated in its previous telegram, the Japanese Government may raise to the proposed passage of the *Monocacy*, it is difficult at this time to offer you more precise instructions for your guidance.

HULL

811.30 Asiatic Fleet/517 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, August 18, 1938—8 p. m.

[Received August 18—12:11 p. m.]

545. Department's 290, August 16, 6 p. m.

1. Our informal efforts to obtain authority for the *Monocacy* to proceed to Shanghai have proved abortive. We were advised that while our representations would be communicated to Admiral Oikawa, it is not the intention of the Japanese Government to intervene in the exercise by Admiral Oikawa of the discretionary powers vested in him.

2. I therefore took up the case this afternoon directly with the Minister for Foreign Affairs and made strong oral representations, basing my approach upon (a) practical considerations and (b) legitimate rights, and emphasizing the various points set forth by the Department and by the American Commander-in-Chief. I furthermore pointed out that this question is one of the utmost delicacy which deserves to receive the most careful consideration of the Japanese

Government and that I could not believe that the Japanese Government would leave entirely to the discretion of one of its subordinate officers the decision in a matter involving one of the primary rights of the United States.

3. General Ugaki said in reply that the Japanese Government sincerely appreciated the courses which the American Government has followed during the hostilities in China. He did not think that he could subscribe to our argument that section of the Yangtze under discussion is at present a public waterway because the Japanese have made great sacrifices in opening the boom at Matang simply for military purposes and their standpoint is in their opinion one of pure logic.

The Minister then said that after our initial representations the Japanese Government had immediately consulted Admiral Oikawa and was now in receipt of his reply which could be summarized as follows: (a) The necessity of military operations render compliance with our request difficult at the present time but every effort will be made to comply at the earliest possible moment; (b) the Japanese Navy, on request from us, will be glad to cooperate by furnishing Japanese vessels or, if necessary, planes for the supply or transportation of provisions or fuel for the *Monocacy* and for the transportation of mails or personnel.

4. I reemphasized the importance of principle at issue and said that while I would promptly report to my Government the Minister's reply I could not predict the attitude either of my Government or of the American Commander-in-Chief.

5. I interpret this as a categorical refusal and while fully appreciating the seriousness of the issue here involved I think that there can be no doubt but that we have exhausted diplomatic resources.

Repeated to Shanghai for the Commander-in-Chief.

GREW

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811.30 Asiatic Fleet/519: Telegram

*The Commander in Chief, United States Asiatic Fleet (Yarnell),  
to the Chief of Naval Operations (Leahy)*<sup>22</sup>

[NANKING,] August 19, 1938—4 a. m.

[Received noon.]

0019. Advised tonight by Commander Takata, senior staff officer Admiral Oikawa, that Japanese Ministry of Navy in response our State Department representations considered and advised that

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<sup>22</sup> Copy of telegram from the commanding officer of the U. S. S. *Oahu* to the Commander in Chief; transmitted to the Department by the Navy Department.



*Monocacy* matter should be subject direct negotiations Japanese [and] American naval authorities in China. Accordingly Admiral Oikawa reiterates previous objections *Monocacy* movement as follows:

1. Movement would interfere Japanese naval strategy and tactics in manner not free to disclose but requests Admiral Yarnell to accept his personal assurance of this as fact.

2. Danger from chance mines and unfavorable American reactions and repercussions to possible injury therefrom.

3. Possibility mistaken identity and firing upon American vessel passing through hostile waters by "excited Japanese gun crews".

4. Matang barrier prize of war through which as a Japanese controlled barrier we have no more right to expect free passage than we had through same unpenetrated barrier under Chinese control. Admiral Oikawa desires assure Admiral Yarnell that he is deeply appreciative of seriousness of *Monocacy's* present situation and accordingly offers Japanese transportation of mail, food and fuel from Shanghai or Nanking to Kiukiang or of any similar service which might alleviate *Monocacy* situation, and in addition offers transport relief personnel by Japanese naval plane service. Earnestly requests that Admiral Yarnell realize his desire to cooperate to the limit of his ability short of giving his consent to *Monocacy* passage which must be withheld for time being because of undisclosable tactical considerations. In response to previous expressed assurance of appreciation of our responsibilities as a neutral, expressed highest regard and appreciation of American naval attitude thus far displayed and desires Admiral Yarnell know that the "situation would be less formidable" were American and Japanese interests the only ones at stake. Suggested Japanese escort of *Monocacy* Kiukiang to Wuhu as possible solution objections 1, 3 and 4 but suggestion unfavorably received. Oikawa also assures that present refusal is not to be interpreted as implying permanent control of Yangtze by Japanese but refuses to predict any date for relaxation of control.

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811.30 Asiatic Fleet/520: Telegram

*The Commander in Chief, United States Asiatic Fleet (Yarnell), to the Chief of Naval Operations (Leahy)*<sup>23</sup>

[TSINGTAO (?),] August 20, 1938—10:40 a. m.  
[Received August 20—10 a. m.]

0020. Unless you direct otherwise reference *Oahu*[s] 0004 of yesterday, will reply Admiral Oikawa that while cannot relinquish any right of free navigation Yangtze River by our vessels am prepared

<sup>23</sup> Copy transmitted to the Department by the Navy Department.

recognize special situation now existing below Kiukiang and will delay sailing *Monocacy* until later date. Will accept Japanese offer transportation fuel, provisions [and] personnel since we lack any information of military operations now taking place near Matang boom and conditions in river. Consider it advisable retain *Monocacy* Kiukiang until Japanese cooperation for her passage down river is secured, probable future aid to nationals now at Kuling also to be considered. Request early reply.

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811.30 Asiatic Fleet/527 : Telegram

*The Chief of Naval Operations (Leahy) to the Commander in Chief, United States Asiatic Fleet (Yarnell)*<sup>24</sup>

[WASHINGTON,] 20 August, 1938.

0020. Your 0020-1040 approved except for the acceptance of offer of transportation fuel and provisions from Japanese which is not approved at this time. State Department recommends that in your reply to Admiral Oikawa the words "recognize special situation" be deleted and instead the words "in view of navigational difficulties" be substituted.

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811.30 Asiatic Fleet/523 : Telegram

*The Commander in Chief, United States Asiatic Fleet (Yarnell), to the Chief of Naval Operations (Leahy)*<sup>25</sup>

[TSINGTAO(?),] August 21, 1938—10:48 a. m.  
[Received August 22—7 a. m.]

0021. Inform Admiral Oikawa that his message transmitted by Commander Takata has been given earnest consideration. No restriction on the primary right of American vessels to navigate any part of the Yangtze River as may be necessary to safeguard our interests or nationals can be accepted. On the other hand the navigational difficulties now existing temporarily below Kiukiang are recognized. It is my intention and desire to refrain in every way from action that will embarrass Admiral Oikawa. To that end the sailing of the *Monocacy* will be delayed until later date. Extend to Admiral Oikawa my appreciation for his earnest desire and efforts to arrive at a satisfactory solution. AmConGen<sup>26</sup> Shanghai requested transmit Tokyo.

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<sup>24</sup> Copy transmitted to the Department by the Navy Department.

<sup>25</sup> Copy of telegram to the commanding officer of the U. S. S. *Oahu*; transmitted to the Department by the Navy Department.

<sup>26</sup> American Consul General.

811.30 Asiatic Fleet/521 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, August 22, 1938—2 p. m.

499. Your 1144, August 21, 4 p. m.<sup>27</sup>

1. A United Press despatch of August 22 from Shanghai states, *inter alia*, that "The Japanese blockade of the Yangtze River may soon be the occasion of a sharp exchange between Japan and foreign nations, particularly the United States, it was understood today," that "Last week the Japanese refused a formal request of Admiral Harry E. Yarnell for the United States gunboat *Monocacy* to proceed down the river from Kiukiang, where it has been isolated for some weeks, to refuel and reprovision"; that "His request that the gunboat *Oahu* be permitted to proceed to its relief also was refused"; that "It was reported that American naval authorities here (in China) had favored strong action in face of the Japanese refusal and considered the situation sufficiently serious to refer it to the State Department at Washington"; that "A decision which might involve a serious diplomatic situation has been deferred only because the *Monocacy* has fuel and provisions sufficient to permit it to remain at Kiukiang for a short time"; and that "Diplomatic quarters predicted freely that before long there might be the most important showdown of the Chinese war between the Japanese and American Governments".

2. As you know, these statements are not founded on fact. I desire that you get in touch with the United Press correspondent; that you inform him that while it has been decided that the *Monocacy* remain at Kiukiang for the time being, the other statements made in his news despatch are unfounded and therefore mischievous and misleading to the American public and the publication of such statements in this country can serve only the opposite of a useful purpose.

3. I realize that the Consulate General endeavors constantly to maintain effectively cooperative relations with the press correspondents, and I hope that it will be practicable through such cooperation to prevent the sending of such sensational, inaccurate and misleading stories as the one under reference.

HULL

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<sup>27</sup> Not printed.

893.811/1002 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, August 22, 1938—7 p. m.

[Received August 23—8:05 a. m.]

1152. My 900, June 25, 10 a. m., and Department's 407, June 29, 3 p. m.

1. The British Ambassador, the British Consul General, the Inspector General of Customs<sup>28</sup> and I conferred with the French Ambassador at the latter's invitation on the status of Whangpoo Conservancy. It was agreed that the British and French Ambassadors and myself would report to our respective Governments on the advisability of bringing the present situation vis-à-vis the Conservancy works to the attention of the Japanese Government at Tokyo through the concerned Ambassadors there. It was agreed among us that the British Ambassador would submit a draft note which, if approved by our respective Governments, would be sent to the British Ambassador at Tokyo for presentation to the Foreign Minister. A copy of the draft note has been received by me today and its substance is as follows: After inviting the Foreign Minister's attention to the position which has arisen at Shanghai in connection with the Whangpoo Conservancy Board, a brief historical résumé is made of the Whangpoo Conservancy work and the agreements relating thereto are cited, especially the pertinent article in the protocol of 1901<sup>29</sup> and the special Whangpoo Conservancy Agreement of April 9, 1912.<sup>30</sup> The composition of the Whangpoo Conservancy Board and the Whangpoo Conservancy Consultative Board is described and it is stated that 80 per cent of the Conservancy donors, which defray the cost of Conservancy work, are paid by foreign shipping companies. It is said that "the international status of the Whangpoo Conservancy Administration is clearly revealed by the above facts". Reference is not [*then?*] made to the presentation by the Japanese Consul General to the Commissioner of Customs of a memorandum containing terms upon which the Japanese authorities would permit Conservancy Board to resume operations. (See my despatch 1509, June 22, 1938.)<sup>31</sup> The right of the Japanese military and naval authorities to interfere in any way with the Whangpoo Conservancy Board or to impose any conditions whatsoever for the resumption of these operations is denied by the British Government. The international character of the

<sup>28</sup> Sir Frederick W. Maze.

<sup>29</sup> Signed at Peking, September 7, 1901, *Foreign Relations*, 1901, Appendix (Affairs in China), p. 312.

<sup>30</sup> John V. A. MacMurray (ed.), *Treaties and Agreements With and Concerning China, 1894-1919* (New York, Oxford University Press), vol. II, p. 954.

<sup>31</sup> Not printed.

Whangpoo Conservancy Board is emphasized and it is pointed out that the existent representation on the Consultative Board and in the custom administration which is so closely [associated with] Conservancy should be a sufficient guarantee that Japanese interests will be fully safeguarded. The Japanese Government is requested to arrange for the immediate release of the Board's property and for the unconditional resumption by the Board of the work with the Conservancy. The French Ambassador has given his approval to the British draft note.

2. I recommend that Ambassador Grew be instructed to make representations in this matter substantially in accord with those made by his British and French colleagues after consultation with them.

Repeated to Chungking and Tokyo. By mail to Peiping.

LOCKHART

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811.80 Asiatic Fleet/526 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, August 23, 1938—5 p. m.

[Received August 23—4:20 p. m.]

1156. 1. I read to the United Press representative, Mr. Bellaire, today paragraphs 1 and 2 of your 499, August 22, 2 p. m. I brought forcibly to Bellaire's attention the harm that such news despatches do and I asked him specifically for source of his statement that "diplomatic quarters predicted freely that before long there might be a most extraordinary showdown of the Chinese war between the Japanese and American Governments". Mr. Bellaire said that the source of this information was the British Embassy. I will endeavor to check further on this phase of the matter.

2. Bellaire was extremely apologetic and assured me that there would be no recurrence of matters of this kind which might embarrass the Department or the Consulate General. He stated emphatically that none of the information came from any members of this Consulate General or from American naval personnel in Shanghai and he also stated, and submitted satisfactory evidence to support the statement, that his despatch was largely rewritten in the New York office of the Associated [*United*] Press and that many of the quotations in the first half of the telegram under reference were not included in his telegraphic report from Shanghai. Except for the reference to "diplomatic quarters" it seems evident to me, on the strength of my investigation, that the press despatch of August 22 from Shanghai was principally a rewrite in New York.

3. Bellaire informed me that his first intimation of the story regarding the *Monocacy* reached him from his New York office. Victor

Keen of the *Herald Tribune* at Hankow had reported that the Japanese had refused Admiral Yarnell's request in connection with the movement of the *Monocacy*.

4. This Consulate General does in fact endeavor to maintain effective cooperation with press correspondents but it is difficult, as I know the Department realizes, to prevent situations such as that described in your [*the*] telegram under reference from you.

LOCKHART

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893.811/1002 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, August 24, 1938—4 p. m.

Following for Tokyo:

296. "Shanghai's 1152, August 22, 7 p. m., in regard to Whangpoo Conservancy Board. The Department desires that, after consultation with your British and French colleagues, and if and when they are prepared to take separate but similar action, you approach the Japanese Foreign Office, in such manner as you may deem appropriate, substantially along the lines indicated in paragraph 1 of the telegram under reference."

Repeat to Chungking and mail copy to Peiping.

HULL

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811.30 Asiatic Fleet/542 : Telegram

*The Commander in Chief, United States Asiatic Fleet (Yarnell), to the Chief of Naval Operations (Leahy)*<sup>32</sup>

[HANKOW,] August 28, 1938—2:32 p. m.

[Received 11 p. m.]

0028. *Monocacy* has been informed access to coal at Andersen Meyer Mill will not be permitted owing to interference military operations, CO<sup>33</sup> *Monocacy* believes that mines which exploded close aboard yesterday were dragged and left in that position in the course of Jap sweeping operations. He informed Jap Consul of this opinion and that they would be held responsible any damage to his ship resulting their activities. Present anchorage best available but endeavoring arrange for mooring pontoon off west end Standard Vacuum installation to which *Monocacy* will secure. If this not practicable, ship may be able berth at Asiatic Petroleum Company pontoon with British craft. *Monocacy* captain was told that situation would be very bad for foreign men [of] war at Hankow unless they moved upriver.

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<sup>32</sup> Copy of telegram from the Commander, United States Yangtze Patrol (Le Breton), to the Commander in Chief; transmitted to the Department by the Navy Department.

<sup>33</sup> Commanding Officer.

893.811/1006: Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, August 30, 1938—1 p. m.  
[Received August 30—6:44 a. m.]

566. Embassy's 557, August 26, noon,<sup>34</sup> Whangpoo Conservancy. Separate but similar signed notes substantially embodying the text mentioned in paragraph 1 of Shanghai's 1152, August 22, 7 p. m., have been submitted to the Foreign Minister by the British, French and American Embassies under date of August 29.

Repeated to Shanghai.

GREW

811.30 Asiatic Fleet/563½

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

[WASHINGTON,] August 30, 1938.

MR. SECRETARY: The Navy Department has just informed me that Admiral Leahy has an appointment with the President at 11:15 this morning. If you are still at the White House at that time you and Admiral Leahy may care to speak to the President in regard to the question of the U. S. S. *Monocacy* proceeding to Shanghai.

A memorandum in regard to the *Monocacy* case is attached.<sup>35</sup>

M[AXWELL] M. H[AMILTON]

811.30 Asiatic Fleet/563½

*Memorandum Prepared in the Department of State*

[WASHINGTON, undated.]

Under date August 29 Admiral Yarnell telegraphed the Navy Department as follows:

"Before informing Jap Admiral that *Monocacy* must proceed Shanghai prior 10 September due shortage fuel and provisions request your views."

Some two weeks ago Mr. Grew at Tokyo made strong oral representations to the Japanese Minister for Foreign Affairs to the end that the Japanese Government withdraw its objections to the U. S. S. *Monocacy* proceeding to Shanghai. (The *Monocacy* desired to proceed to Shanghai because of shortage of fuel and provisions and for the relief of personnel.) The Japanese Government declined to with-

<sup>34</sup> Not printed.<sup>35</sup> *Infra*.

draw its objections because of important military and tactical considerations; stated that every effort would be made to do so at the earliest possible moment; and offered, on request, to furnish Japanese vessels for the supply or transportation of provisions or fuel and for the transportation of mails or personnel. Mr. Grew interpreted the Japanese reply as a categorical refusal and said that in his opinion we had exhausted diplomatic resources.

On being informed of the Japanese Government's attitude, Admiral Yarnell telegraphed the Navy Department proposing that he reply to the Japanese Admiral that while we could not relinquish any right of free navigation on the Yangtze River he was prepared, in view of the navigational difficulties now existing temporarily below Kiukiang, to delay the sailing of the *Monocacy*. Admiral Yarnell stated that, inasmuch as he lacked any information of military operations now taking place near the Matang boom and conditions in the river, he considered it advisable to retain the *Monocacy* at Kiukiang until Japanese cooperation for her passage down the river is obtained. Admiral Yarnell pointed out that a factor in the situation was the aid which might be rendered by the *Monocacy* to American nationals now at Kuling. Admiral Yarnell also proposed that he accept the Japanese offer for transportation of fuel, provisions and personnel. The Navy Department approved Admiral Yarnell's recommendation except for the acceptance of offer of transportation of fuel and provisions from the Japanese which was not approved at that time.

It is to be noted that the British also have a gunboat at Kiukiang; that the British have not taken up at Tokyo the question of the British gunboat proceeding to Shanghai; and that so far as we know the British gunboat will remain at Kiukiang.

It is our belief that the Japanese will continue to object to the *Monocacy* proceeding down the river to Shanghai. Admiral Yarnell has no information in regard to the situation near the Matang boom. Should the *Monocacy* decide to proceed down river in face of Japanese objections, the Japanese could easily prevent the passage of the *Monocacy* through the boom. A Japanese pilot might be needed for pilotage through the boom. There would also be danger from mines.

In view of the foregoing, we do not believe that the issue or issues involved warrant (a) insistence on our part that the Japanese withdraw their objections or (b) the sailing of the vessel in the face of Japanese objections. Moreover, in view of the fact that we believe that a further approach to the Japanese would be unsuccessful, we suggest that no such further approach be made. Also, if by the time the *Monocacy* has exhausted its supply of fuel and provisions the situation on the river remains unchanged, we suggest that Admiral Yarnell's recommendation that he accept the Japanese offer for transportation of fuel and provisions be approved.



811.80 Asiatic Fleet/578

*The Navy Department to the Department of State*

[WASHINGTON,] September 1, 1938—9:30 a. m.

The Commander in Chief, Asiatic Fleet, addressed the following despatch to the Commanding Officer, U. S. S. *Oahu*, yesterday evening:

“Call on Admiral Oikawa and tell him due to low provisions and fuel most necessary *Monocacy* leave for Shanghai by 10 September. It is almost three weeks since Japanese CinC<sup>36</sup> was informed of need of early departure and by 10 September it will have been more than a month. Whatever the reason given, the fact remains the channel is open through Matang and the passage down river of one small vessel surely could not inconvenience operations. Also inform him the *Monocacy* was refused access by the Japanese military to coal at Andersen Meyer’s mill. Will greatly appreciate his help in moving *Monocacy* to Shanghai prior to 10 September.”

811.80 Asiatic Fleet/564

*The Navy Department to the Department of State*

[WASHINGTON,] September 3, 1938—9:30 a. m.

The following information has been received from the U. S. S. *Monocacy* (Sept. 2, 1938):

Was informed today secret operations completed now possible for us obtain coal Andersen Meyer. Japs requested dates desired same, informed them would notify SNO<sup>37</sup> first day and take fuel every three days as specified my original letter. This latter necessary due small capacity only available lighter.

The following information has been received from U. S. S. *Oahu* under date of September 2, 1938:

This morning relayed your (CinCAF)<sup>38</sup> message of yesterday through Commander Takata and Mr. Mizota. The Japanese Admiral is anxious that you more fully understand his position and states therefore that he is impelled to disclose information most of which he considers most secret and requests precautions be taken to prevent leaks to Chinese or third powers. Have swept only narrow channel between Wuhu and point 15 miles above Kiukiang, more than 700 mines destroyed and numerous casualties sustained by their ships; Rear Admiral Sonoda is now in charge of sweeping operations, on 31 August will commence new sweeping operations from Wuhu up, but will not even reach Anking by 10 September. Below Kiukiang and at

<sup>36</sup> Commander in Chief.<sup>37</sup> Japanese Senior Naval Officer.<sup>38</sup> Commander in Chief, United States Asiatic Fleet.

6 locations pointed out on charts Chinese detached units very active, necessary above Wuhu that all ships proceed in convoys with destroyer escort, all convoys subject sniping and indirect fire of Chinese field and heavy artillery located inland from river. Congestion in river caused by operation of hundreds of large ships and thousands of small craft above Wuhu, presents serious problem which would be complicated by passage even small gunboat. In addition, passage down of *Monocacy* would undoubtedly be followed by similar British demands for *Cockchafer*<sup>89</sup> and passage up of reliefs and ships of other third powers and proportionately increase difficulties; states his belief Japanese foreign office has never questioned fundamental right third powers to free navigation of Yangtze but Jap navy does claim control passage through barriers by virtue their capture and military nature. Present objections hinge on military and naval operations and expediency; states belief British have recognized validity Japanese objections, Jap navy transporting mail and several months supply of provisions to Kiukiang for *Cockchafer*; his offer of naval plane service transportation relief personnel *Monocacy* and surface transportation provisions, fuel and mail re-affirmed.

Re: *Monocacy* attempt obtain coal from Andersen Meyer's, it is a matter of extreme regret to him that he was ignorant of this until yesterday. Military refusal based on fear of disclosure Japanese efforts to recondition former Chinese air field near that plant for their own use. Even though field not visible from company plant, operations connected therewith are. Military commander instructed to permit U. S. S. *Monocacy* access to this coal if again requested.

Re: Mine explosion near *Monocacy* Jap belief that mine exploded by rifle fire from *Cockchafer* since sweep which discovered this mine had left for further instructions from Sonoda, in view its too close proximity *Monocacy* misinterpretation placed on this incident by newspapers, pointed out as type of thing they most anxious to avoid and what would most likely happen if the *Monocacy* was allowed to steam down river. Admiral Oikawa therefore again requests that Admiral Yarnell permit *Monocacy* remain Kiukiang until such time as present objections no longer obtained.

Comdr. Takata and Mr. Mizota request that unless it is desired to have Admiral Oikawa personally present that arrangements be made to conduct future interviews at Jap naval headquarters in Shanghai or some other mutually agreeable meeting place in that city because of greater convenience; they both propose to return to Shanghai tomorrow morning.

The following has been received from CinCAF (Sept. 3, 1938) (addressed to U. S. S. *Oahu*):

Give my regards and thanks to Admiral Oikawa for courtesies and frankness of his confidence which will be respected and also convey to him my regrets that he has been unable to assist in the passage of the *Monocacy* down the river at the present also tell him that in view of his consideration and friendly attitude I am willing to accede to his wishes and hold the U. S. S. *Monocacy* at Kiukiang for the time being.

<sup>89</sup> British gunboat at Kiukiang.

Following from CinCAF to Navy Dep[artmen]t:

As the situation regarding provisions is becoming acute will unless otherwise directed by Navy Department accept the Japanese offer to transport mail, supplies and maybe personnel in as much as there are no other sources available; doubt the advisability of further insistence at the present time of moving U. S. S. *Monocacy*.

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811.30 Asiatic Fleet/564

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

[WASHINGTON,] September 3, 1938.

Commander Shelley of the Navy Department telephoned me about this series of messages.<sup>40</sup> He said that with reference to the last message, the feeling in the Navy Department was that the Navy Department would send no reply to Admiral Yarnell: in other words, the Navy Department would leave Admiral Yarnell free to accept the Japanese offer to transport mail, supplies, and possibly personnel. Commander Shelley said that Admiral Leahy was not at the Navy Department today, but that the foregoing represented the opinion of the officers at the Navy Department who had considered the matter. I said that if the Navy Department wished to handle the matter by making no reply to Admiral Yarnell, we would not wish to interpose in the matter and the Navy Department's decision was satisfactory to us. I added that decision along the lines indicated by the Navy Department seemed to us to be essentially a matter for the Navy Department.

M[AXWELL] M. H[AMILTON]

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893.811/1010: Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, September 8, 1938—1 p. m.

[Received 9:45 p. m.]

1203. Your 502, August 23, 7 p. m.<sup>41</sup> I have discussed matter of Whangpoo Conservancy property with my British and French colleagues and we feel that subject is bound up with the general question of return of Whangpoo Conservancy equipment and operation to control of Conservancy Board, upon which subject American, British and French Ambassadors at Tokyo made representations to the Japanese Foreign Office on August 29 (see Tokyo's 566, August 30,

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<sup>40</sup> *Supra*.

<sup>41</sup> *Post*, p. 450.

1 p. m.). However, when I next see my Japanese colleague, which will probably be within a few days, I will bring up matter, but it is doubtful whether the military will yield in the slightest as this property is in the zone which it is undoubtedly the intention of the Japanese authorities to convert into a military base or an area for other military purposes, or at least to make it a part of extensive Japanese wharfage facilities.

Repeated to Chungking, Peiping and Tokyo.

LOCKHART

893.811/1013 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, September 14, 1938—6 p. m.

[Received September 16—7:40 a. m.]

1225. My 900, June 25, 10 a. m., Department's 407, July [June] 29, 3 p. m., my 1152, August 22, 7 p. m. and Department's August 24, 4 p. m. Morishima, Counselor of the Japanese Embassy, has orally informed me that the Japanese Government is anxious to settle the Whangpoo Conservancy matter and believes that it can be settled on the basis of a Japanese co-engineer-in-chief with the appointment of four or five other minor officials or employees, together with a Japanese liaison officer between the Japanese authorities and the Conservancy Board. Morishima states that the proposal does not contemplate the removal of the present Chinese engineer-in-chief who, Morishima believes, will be willing to continue in his present position as a co-engineer-in-chief.

This tentative problem [*proposal*] [is] largely due [to] recession from the original stand taken by the Japanese but a conversation which I had with the British Chargé d'Affaires and with the British Consulate today leads me to believe that the fresh proposal might not be acceptable to them. The American Minister [*Ambassador*] expressed the view that the interested powers should press for the return of all Conservancy equipment and property to its pre-hostilities status and that the fresh proposals now made by Morishima should be accepted only as a last resort. I have not committed the Consulate General to the acceptance of a Japanese co-engineer-in-chief but I believe that if the Whangpoo Conservancy right of way operations are to be resumed in the reasonably near future it may be found necessary to make some concession on the basis of expediency and preservation of an indispensable waterway. I believe, however, that before this is done the concerned Ambassadors at Tokyo should make further representations to the Foreign Office but their [representations?] should be somewhat more emphatic than those suggested in my 1152,

August 22, 7 p. m., and approved by the Department's 296, August 24, 4 p. m.

To Tokyo, repeated to Chungking and Peiping.

LOCKHART

811.30 Asiatic Fleet/586 : Telegram

*The Navy Department to the Department of State*<sup>42</sup>

[NANKING,] September 14, 1938—9:06 p. m.

[Received September 15—7 a. m.]

0014. Admiral Oikawa reaffirms his promise to ensure *Monocacy* coal supply and is directing Nipponese SNO<sup>43</sup> Kiukiang to arrange delivery 25 tons weekly from Andersen, Meyer to Standard Vacuum installation. Request *Monocacy* check with Kondo<sup>44</sup> and advise me before *Oahu* departs Shanghai.

893.811/1013 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, September 18, 1938—noon.

Following for Tokyo as No. 326 :

"Shanghai's 1225, September 14, 6 p. m., Whangpoo Conservancy. Unless you perceive objection thereto, Department requests that you consult with your British and French colleagues with a view to making separate but similar approaches to the Japanese Foreign Office in such manner as you and your colleagues may deem appropriate. It is suggested that you press for the return of all Conservancy equipment and property to a pre-hostilities status, stressing the damage which the enforced paralysis of the activities of the Board is causing to the harbor at Shanghai to the detriment of that city and to the shipping and commercial interests there."

Repeat to Chungking and mail copy to Peiping.

HULL

893.811/1014 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, September 24, 1938—noon.

[Received 4:10 p. m.]

619. Our 566, August 30, 1 p. m., Whangpoo Conservancy. The following is a translation of a note dated September 23 received in reply to our note of August 29th :

<sup>42</sup> Copy of telegram from the commanding officer of the U. S. S. *Oahu* to the Commander of the United States Yangtze Patrol.

<sup>43</sup> Senior Naval Officer.

<sup>44</sup> Rear Admiral Kondo, Imperial Japanese Navy.

"In keeping with the situation following the occupation of Shanghai and its environs by the Japanese military forces, the operations, et cetera, of the Whangpoo Conservancy Board have already been, and are at present, the subject of conversations on the part of that Board with the Japanese Consulate General at Shanghai; and, according to a report received from the Consulate General, they have been able to evolve, to a certain degree, a definite plan.

I have the honor to inform Your Excellency that I believe the most appropriate method for the solution of this case to be the progression of the conversations between the parties concerned in Shanghai and in that light, I have instructed the Consulate General in Shanghai to endeavor to reach a solution".

GREW

893.811/1016 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, September 27, 1938—11 a. m.

[Received September 27—6 a. m.]

622. Our 619, September 24, noon—Whangpoo Conservancy. My British colleague and I agree that the Japanese proposal that the negotiations be continued at Shanghai should be taken up because (a) there is little prospect of a settlement through exchange of notes here and (b) apparently a settlement had been all but reached at Shanghai on the basis of the appointment of a Japanese co-engineer. Craigie<sup>45</sup> has telegraphed his Government in the foregoing sense.

GREW

793.94/14099 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, October 17, 1938—6 p. m.

[Received 6 : 57 p. m.]

1344. Following is text of letter received today.

"Japanese Embassy in China. Shanghai, October 15, 1938. Numbered GO 8. Your Excellency, I have the honor to inform you that I have been requested by the Japanese naval authorities to transmit to Your Excellency the enclosed memorandum.

I have the honor to be, with the highest consideration, Your Excellency's obedient servant, Masayuki Tani, Minister Plenipotentiary. His Excellency Mr. Nelson Trusler Johnson, American Ambassador to China, Chungking."

2. The memorandum mentioned is as follows:

"(1) It is a matter for gratification that owing to the wholehearted and sympathetic cooperation given by third power authorities in com-

<sup>45</sup> British Ambassador in Japan.

plying with the request made to them by the Commander-in-Chief of the Imperial Japanese Fleet on June 11 and June 8 relative to the movements of neutral vessels on the Yangtze River, there has arisen no untoward question in the zone of hostilities above Wuhu such as might impair friendly relations with any third power. For the friendly consideration and understanding thus shown by the various powers, the Commander-in-Chief is deeply grateful.

(2) Although the number of mines already destroyed by the Japanese fleet units in their military operations on the Yangtze far exceeds 1,000, even greater efforts must be made to remove the danger from this source as the season of receding water of the Yangtze approaches. There is also the danger from the activities of Chinese soldiers along the bank, whose attacks are directed for the most part against hospital ships and unarmed transports. The greatest tactical difficulty our fleet has encountered in its efforts to eliminate the danger from such attacks of the enemy along the bank has been the necessity of ascertaining, before launching an attack, whether there was not some neutral vessels or buildings located in close proximity to the enemy's position,—a necessity which has not infrequently caused us to miss the most opportune moment for the attack.

The zone of intense fighting, which we intimated in our earlier communication has been in the Yangtze basin below Hwangshihkang, has now moved upstream to the region between Hwangshihkang and Hankow and its vicinity. Desiring to avoid the occurrence of any unpleasant and mutually regrettable incident, we beg to request the powers concerned, with due consideration to the position of the Imperial Japanese fleet, to cause their respective vessels to seek refuge upstream from Hankow and to take such measures as may be necessary to prevent the use of any buildings belonging to their respective nationalities, as well as areas immediately adjacent to such buildings, by the Chinese for military purposes.

(3) Although, with regard to the misuse of third power [property?] as above set forth by the Chinese in ways calculated to give rise to needless questions which it is the desire of the third powers and Japan alike to avoid, we requested the powers concerned on an earlier occasion to vigorously protest against such misuse by the Chinese, it has become apparent to us that the Chinese are now even more unscrupulous than before in this nefarious practice. It is therefore hoped that the powers concerned will give this matter their further consideration. It is the intention of the Imperial Japanese fleet authorities to treat as Chinese property, in accordance with the law, any property such as wharves, hulks, et cetera, whenever it appears to us manifest that the Chinese have hoisted a third power flag over a property which is not completely neutral property.

(4) Appreciation has already been expressed of the steps taken by the Standard Oil Company to comply with our request regarding measures to be taken to render neutral ships easily recognizable. We are grateful also to the British naval authorities for the step they have since taken to paint the awnings of their gunboats on the Yangtze in special colors which, according to the experience of our air units, have rendered those vessels more distinguishable than before. And to the authorities of the other powers concerned, we desire to ask that the undertaking of the Imperial Japanese fleet that the flag

painted on the awning is not, by itself, adequate for the purpose be given their sympathetic reconsideration, and to reiterate the request that some suitable way be devised.

(5) The Chinese have constructed two additional booms, one below Shihhweiyao and another above it, thereby stopping all river traffic at those points. Although a passage necessary for military purposes will be opened through these booms as soon as they have fallen into our hands, such openings, as in the case of the Matang boom, cannot be made available for use by any vessels other than our naval vessels and military transports until such time as the Commander-in-Chief considers that the operations of the Japanese forces will no longer be hampered thereby.

(6) The Japanese authorities greatly appreciate the information which the various powers have hitherto given regarding the location and movements of their vessels on the Yangtze above Kiukiang. And now that the hostilities are progressing into the vicinity of Hankow, it is hoped that the powers which have not before given us such information in detail will do so.

It is requested that liaison with the Imperial Japanese naval authorities be maintained, as heretofore, through the naval representatives stationed at Shanghai."

3. The letter and memorandum above quoted also formed enclosures to a letter dated October 15 from the Japanese Consul General to the Senior Consul, and later circulated by him, reading as follows:

"Number 12. Sir and Dear Colleague, I have the honor to send you herewith enclosed a copy of a letter of Mr. M. Tani, under today's date, addressed to his colleagues.

I should be grateful if you would be good enough to take necessary steps at your earliest convenience to circulate the same to our honorable colleagues with the request that contents of the same be brought as soon as possible to the notice of the interested parties of the respective powers.[""]

Sent to Chungking, repeated to Hankow, copy to Admiral Yarnell, by mail to Peiping and Tokyo.

GAUSS

793.94/14099 : Telegram

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

WASHINGTON, October 18, 1938—6 p. m.

270. Shanghai's 1344, October 17, 6 p. m. The Department suggests for your consideration that the letter quoted in Shanghai's telegram under reference might be filed without acknowledgment or that you might reply to the letter simply with a reference to your reply<sup>46</sup> to Mr. Tani's letter of June 11 and a tactfully worded statement that your attitude and that of the American Commander in Chief

<sup>46</sup> *Foreign Relations, Japan, 1931-1941, vol. 1, p. 601.*



continue to be as outlined therein; and if you consider that a reply is called for the Department would appreciate being informed of the contemplated substance thereof prior to its communication to Mr. Tani.

The Department is confident that in this connection you and the Commander in Chief will bear in mind its 177, June 13, 11 p. m.,<sup>47</sup> with regard to the unfortunate consequences of unintended publicity. Please also refer to Department's 214, July 24, 1 p. m.

Please confer with Admiral Yarnell and inform the Department of his and your views.

HULL

793.94/14114 : Telegram

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

CHUNGKING, October 19, 1938—10 a. m.

[Received 1:20 p. m.]

497. Shanghai's 1344, October 17, 6 p. m. Does Department have any specific instructions to give me as to reply other than an acknowledgment and a statement to the effect that while reserving our rights I have communicated its contents to the Commander-in-Chief. I propose to leave to the discretion of the Navy the matter of the disposal of the two vessels now at Hankow under Admiral Le Breton. With reference to the matter of the use of buildings or areas adjacent thereto by the defensive activities of the Chinese, I would like to report to Tani what has been said by the Embassy at Tokyo as reported in Tokyo's 671, October 16, 3 p. m.<sup>48</sup> I invite the Department's serious attention to the contentions made in paragraph 5 of the memorandum enclosed with Tani's communication as indicating quite clearly the fundamental intention of the Japanese to close the river to all foreign shipping and traffic indefinitely at Shanghai [*sic*] until the Japanese have arranged to monopolize traffic in their own interest. It may also be expected that with the crystallizing of the Canton-Kowloon Railway and the blocking of the Pearl River the Japanese will cut Hong Kong completely off from all contact with the Chinese mainland in a similar way and that we may expect to see the Japanese complete the port that the Chinese were interested in building at Whampoa and controlling that port as a [deep-sea] port for Canton to the exclusion of Hong Kong. These situations may, I am convinced, be expected to influence British attitude toward Japan's position in China.

<sup>47</sup> *Post*, p. 353.

<sup>48</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 625.

Shanghai please repeat to Tokyo and communicate substance to Commander-in-Chief.

Repeated to Hankow and Shanghai.

JOHNSON

793.94/14128 : Telegram

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

CHUNGKING, October 21, 1938—10 a.m.

[Received October 21—8:13 a. m.]

508. Department's 270, October 18, 6 p. m., apparently crossed my 497, October 19, 10 a. m. Shanghai's 1344, October 17, 6 p. m., has been communicated to Commander-in-Chief by Shanghai and I am confident that Commander-in-Chief will bear in mind Department's 177, June 13, 11 p. m.,<sup>49</sup> in dealing with questions thus arising. Department will note that my 497, October 19, 10 a. m., was sent to Shanghai to be communicated to Commander-in-Chief. My personal views are therein set forth. I have not as yet received any comment from Commander-in-Chief but have not expected any as I am sure that Navy will take every feasible step to safeguard American vessels while at the same time doing what is humanly possible to perform primary mission of keeping up communications and protecting American lives. Unless Department has other instructions I would prefer to follow Department's suggestion to file Tani's letter.<sup>50</sup>

JOHNSON

793.94/14138 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, October 22, 1938—2 p. m.

[Received October 22—10:15 a. m.]

Following letter received at noon today:

"Japanese Embassy in China. Shanghai, October 22, 1938. [No.] GO 10. Your Excellency, I have the honor to inform you that I have been requested by the Japanese naval authorities to transmit to Your Excellency the enclosed memorandum.

I have the honor to be, with the highest consideration, Your Excellency's obedient servant, Masayuki Tani, Minister Plenipotentiary. His Excellency, Monsieur Nelson Trusler Johnson, American Ambassador to China, Chungking."

2. The memorandum reads as follows:

<sup>49</sup> *Post*, p. 353.

<sup>50</sup> The Department approved filing without acknowledgment.

"(1) The whole of the region traversed by the Pearl River becoming a zone of intense fighting from today as a result of the irresistible march of the Japanese forces upon Canton, the third powers whose naval vessels and merchant men are now located on the Pearl River or on the waters adjacent thereto are hereby requested to take steps to have such ships take refuge in the open or in the upper reaches of the Pearl River far removed from Canton.

(2) It is hoped that the third powers concerned will inform the Japanese naval authorities as soon as possible of the location and movements of their naval vessels and merchant men on the Pearl River and adjacent waters.

It is further requested that such ships be clearly marked so as to render them easily distinguishable by our air, naval and land forces.

(3) Upon capture of the boom which the Chinese have constructed across the Pearl River, the Japanese naval force will open through the said boom a passage necessary for our military operations. And we trust it may be understood that this passage, as in the case of the Matang boom on the Yangtze, cannot be made available to any ships other than those serving the military needs of the Japanese forces until such time as the Commander-in-Chief of the Japanese fleet considers that the use of this passage by other ships will no longer interfere with our military operations.

(4) The above requests being actuated by the earnest desire of the Commander-in-Chief of the Japanese fleet to avoid the occurrence of any unpleasant incident involving the third power[s], it is hoped that all the third powers concerned will give us their sincere cooperation toward the attainment of the end envisaged. 22 October, 1938."

Sent to Chungking.<sup>51</sup> Repeated to Peiping, Canton, Hong Kong.  
Copy to Admiral Yarnell.

GAUSS

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793.94/14139 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, October 22, 1938—5 p. m.

[Received October 22—10:15 a. m.]

Following letter dated today was received at 4:30 p. m. from Japanese Minister Tani addressed to the American Ambassador at Chungking:

I have the honor to inform you that I have been requested by the Japanese naval authorities to transmit to Your Excellency the enclosed memorandum.

The memorandum reads as follows:

[“]1. In view of the fact that Chinese troops are now crossing the Yangtze River in large numbers in the vicinity of Hankow, it is

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<sup>51</sup> In telegram No. 512, October 23, the Ambassador in China reported that he did not propose to acknowledge the letter unless otherwise instructed (793.94/14148).

anticipated that it may become necessary for our forces to carry out bombing operations against them and that such bombing may be carried out even during the night.

In order to avoid the occurrence of mutually regrettable questions that might arise [through?] any unforeseen damage being suffered by neutral naval vessels and merchant men present in that neighborhood, we beg to request the authorities of the third powers concerned to warn all of their respective ships now in the vicinity of Hankow to find anchorage at a point about 10 nautical miles up stream from Hankow by midnight of 22nd October.

2. All third powers authorities are hereby requested to inform the Japanese naval authorities as to the names of all their vessels that will be anchored at the point above mentioned, as well as the names and movements of any of their vessels which may not be able, for unavoidable reasons, to move to the above mentioned anchorage by midnight of 22nd October." Memorandum is dated today.

Sent to Chungking,<sup>52</sup> repeated to Peiping and Hankow. Commander in Chief informed.

GAUSS

793.94/14186: Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, October 25, 1938—midnight.

[Received October 25—6:55 p. m.]

[For the Ambassador in China:] Following letter addressed to you as American Ambassador by Minister Tani received late this afternoon.

"Japanese Embassy in China, Shanghai, October 25, 1938. Number GO 12 [6]. Your Excellency, I have the honor to inform you that I have been requested by the Japanese naval authorities to transmit to you the enclosed memorandum.

I have the honor to be, et cetera."

2. The memorandum reads as follows:

"By our memorandum of 22nd October, we requested all neutral naval vessels and merchant men in the vicinity of Hankow to find anchorage about 10 nautical miles up stream from that city by midnight of the said date. Subsequent reconnaissance has shown that numerous junks with Chinese troops aboard are swarming in the vicinity of neutral ships anchored along the Hankow water front in order to escape Japanese attacks.

It is therefore our most earnest request that third power authorities, giving due consideration to our desire to avoid the occurrence of unfortunate incidents involving third powers to which the above situation might give rise as well as to the desperate fight now being waged by the Japanese forces for the capture of Hankow, should

<sup>52</sup> In telegram No. 511, October 23, 9 a. m., the Ambassador in China reported: "Unless otherwise instructed or new situation arises I propose to file unacknowledged letter of Tani." (793.94/14146)

cause all of their respective vessels to speedily move to the anchorage above mentioned and to take all possible steps to prevent Chinese ships coming into the vicinity of such vessels.

It must be added that, in view of the intensive character of the hostilities now being carried on for the capture of Hankow, it is difficult to give assurances that Chinese troops who thus take advantage of the presence of neutral vessels will not be attacked by reason of their proximity to such vessels. 25th of October, 1938."

Sent to Chungking, repeated to Peiping, Canton, Hong Kong.  
Copy to Admiral Yarnell.

GAUSS

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793.94/14197 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, October 26, 1938—8 p. m.  
[Received October 26—11:38 a. m.]

687. 1. With reference to a memorandum said to have been submitted by the Japanese naval authorities in Hankow through the Japanese Minister in Shanghai requesting third powers speedily to move their vessels to previously specified anchorage in order to avoid unfortunate incidents by reason of their proximity to numerous junks with China troops aboard stated to be swarming in vicinity of neutral vessels anchored along the Hankow water front, my British colleague has today addressed the following letter to the Vice Minister for Foreign Affairs:

"I have just received a telegram from the British Embassy in Shanghai, of which the substance is given in the enclosed document. Although I have not yet received official instructions in the matter, I think it only right to let you know without further delay that we must take the strongest possible exception to the communication stated to have been made in Shanghai by the Japanese naval authorities. The position of British vessels anchored along the water front in Hankow is fully known to the Japanese authorities, the vessels are adequately marked and, so long as there are British interests to be protected, British gunboats must remain there for the purpose. It would, in the circumstance, be entirely unwarranted for any further attacks to be made in the immediate neighborhood of any British vessels. As regards the reference to the 'intensive character of the hostilities', this was no doubt written before it was known that the Chinese Government would not defend the city of Hankow itself.

I think it only right to warn the Japanese Government, through Your Excellency, of the serious consequences which must, I fear, follow from any further attacks delivered in close proximity to British vessels on the Yangtze and I trust that the most explicit instructions will be sufficient [*sent?*] to the proper naval authorities to abstain from such action."

2. Craigie has this moment written me "Perhaps you may see your way clear to making similar representations against an apparent in-

tion of the Japanese naval authorities which bids fair to result in further incidents?"

3. Having heard nothing from our own representatives in Hankow or Shanghai with regard to this matter, I hesitate to act without authorization but a brief flash from the Department would ensure action tomorrow morning. The attitude of our Government concerning the safety of our vessels on the Yangtze has already been made perfectly clear to the Japanese Government. Naval Attaché concurs.

Repeated to Shanghai.

GREW

793.94/14197 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, October 26, 1938—7 p. m.

364. Your 687, October 26, 8 p. m., paragraph 3. You are authorized and instructed to take action similar to that taken by your British colleague but of course avoiding the making of any threat such as appears in the last sentence of his text as quoted in your telegram under reference.<sup>53</sup>

Repeated to Shanghai and Chungking.

HULL

793.94/14257 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, October 31, 1938—5 p. m.  
[Received October 31—12: 50 p. m.]

37. Reference is made to my two telegrams numbers 34, October 30; <sup>54</sup> and 35, today.<sup>55</sup> The British Consul General has now informed me that the Chinese Army have stopped the *Robin* at Shinling on the West River and warned it that there are mines in the river between there and Howlik about 7 miles above Samshui. Also an officer from the Japanese headquarters called today on the British Consul General and stated that joint military and naval headquarters at Tokyo had sent instructions that river was closed irrevocably and that no vessels could pass at Samshui and referred further to the general notification of October 22. See Gauss' October 22, 5 p. m.

Information sent to Chungking, Peiping and Hong Kong.

LINNELL

<sup>53</sup> For Ambassador Grew's letter of October 27 to the Japanese Vice Minister for Foreign Affairs, see *Foreign Relations, Japan, 1931-1941*, vol. I, p. 626.

<sup>54</sup> *Post*, p. 520.

<sup>55</sup> Not printed.

793.94/14276c : Telegram

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

WASHINGTON, November 2, 1938—3 p. m.

672. The Department is today telegraphing our Embassy at Tokyo as follows:

[Here follows text of telegram No. 373, November 2, 4 p. m., printed on page 373.]

Please take this matter up promptly with the Foreign Office, informing it orally of the general nature of the instructions sent to Ambassador Grew, and state that the Department wishes to afford the Government to which you are accredited an opportunity to send, should it so desire, similar instructions to its Ambassador at Tokyo.

Please state also that, should the British Government decide to issue such instructions and should the Japanese reply be unfavorable and indicative of an unreasonable attitude on the part of the Japanese Government, we would appreciate being informed of such further measures as the British Government believes it would be useful and practicable to take in the matter.

The Department has sent the same telegram to Paris, omitting the concluding paragraph.

HULL

793.94/14271 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, November 2, 1938—4 p. m.

[Received November 2—1:38 p. m.]

39. In an interview with press representatives yesterday the Japanese Consul General is reported to have said that the situation with regard to the Pearl River would be the same as that on the Yangtze; no foreign vessels would be permitted to proceed to or from Hong Kong for a number of weeks but Japanese vessels would soon bring in cargoes of foodstuffs and supplies. When foreigners did go out to Hong Kong they would probably not be permitted to return. He added that the Japanese would not hinder the establishment of a local government by the Chinese but would prefer that the *status quo* (with the Japanese military in power) should continue for the present.

There have been movements of Japanese troops the past 2 days northward, of [on?] the Canton-Hankow Railroad, and south toward Samshui. Apparently defenses against guerrilla attacks are being

constructed all around Canton and sandbag defenses are placed in the streets at the posts occupied by guard units.

Please inform Mrs. C. J. Armentrout, Warrensburg, Missouri, her daughter Lois is well and safe.

Repeated to Chungking, Peiping, Hong Kong.

LINNELL

793.94/14276a : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, November 2, 1938—4 p. m.

373. 1. The Department believes that the time has come for this Government to take up with the Japanese Government the whole broad question of freedom of navigation on the Yangtze River. This question, in so far as navigation on the lower Yangtze is concerned, was referred to in your note of October 6 to the Japanese Government<sup>56</sup> on the subject of the Open Door. Japanese armed forces have now advanced up the Yangtze River to Hankow and there are no longer major hostilities on the river or along the banks of the river below Hankow. Japanese ships in large numbers have proceeded up the river to Hankow and there were present at Hankow on October 31 according to this Government's information 2 mine layers, 3 gunboats, 3 torpedo boats, 2 mine sweepers, 2 auxiliaries, 23 transports, 12 tugs, 2 tankers, 20 supply ships, 1 hospital ship and approximately 600 small craft. Moreover, Japanese armed forces, following their arrival at Hankow, have had ample time in which to systematize the movement of Japanese national vessel on the river.

While active hostilities were taking place on sections of the Yangtze River below Hankow, we refrained from exercising our right to freedom of navigation of the river. We now consider that it is only reasonable that the Japanese Government should no longer place obstacles in the way of the exercise of this American right. The Yangtze River is the main artery of communication in central China. It is a highly important channel for the movement of persons, goods, and vessels. It is a river of width sufficient to take care of the traffic needs of all concerned. Under present circumstances this Government perceives no reasonable basis in support of restriction by the Japanese Government of the free use of this river.

2. The Department desires that you take this matter up vigorously and in person at the earliest opportune moment with the Minister for Foreign Affairs along the general lines indicated above. The question whether your presentation should be by formal note or orally

<sup>56</sup> *Foreign Relations, Japan, 1931-1941, vol. 1, p. 785.*



is left to your discretion. If the presentation is oral, please leave with the Minister for Foreign Affairs an informal memorandum as record of what you say. This Government will not be satisfied with a reply of an indefinite character and you should press for a favorable reply which will include the naming of an early date after which the Japanese Government will place no obstacles in the way of freedom of navigation on the Yangtze River below Hankow.<sup>57</sup>

3. The Department is informing the British and French Governments through our Embassies in London and in Paris of the approach which you have been instructed to make. The Department suggests that in your discretion you withhold your approach for a few days to ascertain whether your British and French colleagues receive instructions to make similar but separate representations.

Shanghai please inform the Commander-in-Chief.

HULL

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793.94/14278 : Telegram

*The Chargé in France (Wilson) to the Secretary of State*

PARIS, November 3, 1938—noon.

[Received November 3—9:22 a. m.]

1856. Your 828, November 2, 3 p. m.<sup>58</sup> I have just discussed this question with Hoppenot, Chief of the Far Eastern Division at the Foreign Office. He stated that he was glad that we were taking this matter up with the Japanese Government and was also glad that we were informing the French Government in advance in order that they might have an opportunity to take similar action.

The French have only two or three ships on the Yangtze but these have encountered all manner of obstacles from the Japanese. Hoppenot stated that the Foreign Office will cable instructions today to the French Ambassador at Tokyo to consult with his American and British colleagues and to take similar but separate action. Repeated to London.

WILSON

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793.94/14282 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, November 3, 1938—noon.

[Received November 3—10:25 a. m.]

The Consulate General this morning received the Japanese Embassy's letter GO 13, dated Shanghai November 2, addressed to the

<sup>57</sup> For Ambassador Grew's action, see his telegram No. 710, November 7, 5 p. m., p. 80.

<sup>58</sup> See last paragraph of telegram No. 672, November 2, 3 p. m., to the Ambassador in the United Kingdom, p. 194.

American Ambassador transmitting, at the request of the Japanese naval authorities, the following memorandum:

“(1) During the campaign for the capture of Hankow, heavy fighting took place in the waters above Hankow up as far as the neighborhood of Changsha. Following the fall of that city, the upper Yangtze as far inland as Shasi and Changsha, as well as all of the waters adjacent thereto, has become the zone of hostilities. It being anticipated that intense fighting will take place in this zone, we desire to request that steps be taken to have all neutral vessels now in this zone take refuge as far upstream as possible.

(2) It is requested that information concerning the positions and movements of all neutral vessels now on the Yangtze above Hankow, as well as in the waters adjacent thereto be given through the Japanese senior naval officer stationed at Shanghai.

(3) While the hearty cooperation which certain powers have hitherto accorded us in our efforts to prevent the occurrence of incidents with third powers is deeply appreciated, it is earnestly hoped that those powers which have not heretofore informed us regarding their vessels will, in view of our frequent requests, give us closer cooperation in the future.

In the requests we have made in the past, information was asked concerning the positions of vessels ‘on the Yangtze above X point’. And in view of the fact that there is now no section of China over which Japanese planes can not operate, we desire to call attention to the fact that what has been desired is information of vessels in the ‘whole stretch of the river above X point’, irrespective of the distance at which such vessels are located.”

Sent to Chungking.<sup>59</sup> Repeated to Peiping, Tokyo and Hankow. Copy to the Commander in Chief.

[GAUSS]

793.94/14283 : Telegram

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

LONDON, November 3, 1938—4 p. m.

[Received November 3—1: 18 p. m.]

1280. (1) The information embodied in your 672, November 2, 3 p. m., was brought to Cadogan's<sup>60</sup> attention this afternoon.

(2) He expressed pleasure over this evidence of our interest in the question and stated that it was almost certain that the British Government would desire to instruct Craigie to make similar but separate representations. He thought that he could let us know the Foreign Office's decision by tomorrow.

<sup>59</sup> The U. S. S. *Tutuila* was stationed at Chungking.

<sup>60</sup> Sir Alexander M. J. Cadogan, British Permanent Under Secretary of State for Foreign Affairs.

(3) He expressed the hope that Grew would meanwhile hold his hand.

Copy by mail to Paris.

KENNEDY

793.94/14295: Telegram

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

LONDON, November 5, 1938—11 a. m.

[Received November 5—8:44 a. m.]

1289. My 1280, November 3, 4 p. m. I have just talked with Cadogan. Last night the Foreign Office sent word to Craigie to see Grew, get the gist of his instructions and make similar representations. Craigie will follow Grew's lead as to whether they should be made in writing or orally. They have also advised the French that they have so instructed their Ambassador.

Copy by mail to Paris.

KENNEDY

793.94/14303: Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, November 5, 1938—6 p. m.

[Received 7:07 p. m.]

708. Department's 373, November 2, 2 [4] p. m., and 376, November 3, 6 p. m.,<sup>61</sup> navigation on the Yangtze River. My British and French colleagues concur in the Department's proposal and are prepared to act as soon as they receive instructions. We propose to write similar but not identic notes and to present them in person to the Minister for Foreign Affairs in support of our vigorous oral representations. Arita<sup>62</sup> is to receive the diplomatic representatives ceremonially on Monday afternoon November 7. We shall either act at that time or if that is not practicable we shall ask for separate appointments shortly thereafter. This [procedure?] of course assumes that the British and French instructions are confirmatory. The French instructions are now being decoded. The British instructions have not yet been received. I hope to be able to report to the Department definitely on this point tomorrow.

Sent to Chungking. Commander-in-Chief will be informed.

GREW

<sup>61</sup> Latter not printed; it reported telegrams from London and Paris.

<sup>62</sup> Japanese Minister for Foreign Affairs.

893.811/1025 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, November 7, 1938—5 p. m.

[Received 7:35 p. m.]

49. The Japanese Consul General has notified the Consular Corps in Canton as follows:

"1. The Japanese Navy has opened the Chinese barriers at second bar and hill passage (Pearl River) for Japanese military operations. At present the passage is for the purpose of Japanese military operations only. The use of this passage by third power warships cannot be agreed to in principle but as a number of third power consuls have approached the Japanese Navy for passage, they have decided to give favorable consideration to the wishes of such warships as from November 10 under the following conditions:

(1) Warships must navigate at their own risk.

(2) When absolutely necessary from the [viewpoint] of military operations, the Japanese Navy must close such passage temporarily.

(3) Such warships should have reasonable speed not to impede movements of Japanese small craft in the stream of the river.

(4) Navigation confined to hours of daylight.

(5) The Japanese will conduct warships through the barriers.

(6) In order to avoid misunderstandings third powers should give the Japanese Navy adequate previous notice regarding names of ships and time and date of intended passage. At present at least 48 hours notice is desirable but this may be reduced later.

2. If warships wish to get out of the West River before completion of the barriers at Shawan (Chinese telegraph code 3097 and 3494), Wangmoon (2897 and 7024) and Samshui (0005 and 3056), they may do so. These barriers will be completed November 12th or 13th and thereafter for some time navigation through the barriers will be impossible.["]

LINNELL.

893.811/1029a : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, November 9, 1938—5 p. m.

386. At the press conference today the Secretary was asked to comment on press reports from London indicating that parallel diplomatic protests would be made by Great Britain, France and the United States against Japan's closing the Yangtze River to neutral shipping.<sup>68</sup> The Secretary replied that he did not care to comment in the absence

<sup>68</sup> Representations were made by Ambassador Grew on November 7 both orally and in writing. See *Foreign Relations, Japan, 1931-1941*, vol. I, pp. 792, 794.

of fuller information. The Secretary was then asked whether the question of Japan's closing of the Yangtze River was not fully covered in our note of October 6.<sup>64</sup> The Secretary replied that he thought it was understood, in fact known, that we have been giving attention to those developments from time to time as need therefor arose. When asked whether we had been in communication recently with Great Britain and France, on the subject of Japan, the Secretary replied that we had not been on anything in particular.

HULL

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811.30 Asiatic Fleet/641 : Telegram

*The Consul at Tsingtao (Sokobin) to the Secretary of State*

TSINGTAO, November 12, 1938—9 a. m.

[Received 12:25 p. m.]

12. Referring to Department's telegram No. 291, October 25, 7 p. m., to Peiping.<sup>65</sup> Discharge of bulk gasoline for Standard Vacuum Oil Company.

This Consulate in an interview with the Japanese Consulate General pointed out that position of Japanese special naval mission with regard to berthing tanker was unacceptable, all the more so as only last week a Japanese tanker had been permitted to tie up again at the only wharf in Tsingtao with pipe lines where it discharged 700 tons of gasoline for Asiatic Petroleum Company. Previously this British firm had also been denied to bring in a British tanker.

The Japanese Consul General promised a reply as early as possible.

It is to be observed that two British vessels were compelled to discharge in the open bay lumber for the two leading Japanese firms although the wharf where lumber ordinarily is discharged was free at the time, that is this week.

Repeated to Peiping, Chungking, to Tokyo by mail.

SOKOBIN

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893.811/1032 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, November 15, 1938—8 p. m.

[Received November 15—3:25 p. m.]

730. Department's 388, November 14, 8 p. m.<sup>66</sup> The following telegram which my British colleague will send to London tonight accurately reports the consensus of opinion of Craigie and myself

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<sup>64</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 785.

<sup>65</sup> *Post*, p. 513.

<sup>66</sup> Not printed.

reached in a long conversation today. I am not in a position to verify the facts concerning the precise situation on the Yangtze River set forth in his telegram but have no reason to doubt their accuracy. I recommend that I be instructed to address to the Minister for Foreign Affairs a note similar to but not identical with that proposed by the British Ambassador. I propose to express to the Vice Minister at a favorable opportunity surprise at the discourtesy of the Foreign Office in giving to the press a summary of the Japanese note of November 14<sup>67</sup> before it had been delivered to the three Ambassadors.

I shall subsequently report the views of my French colleague with regard to the two steps mentioned above.

“Draft telegram to London.”

[“]Reply to the three notes says the same thing in different terms and is of course unsatisfactory. Unless there is a fairly strong reaction at home I fear that assurance in last paragraph in regard to efforts to ensure relaxation of the restrictions will remain illusory.

My United States colleague and I both think that matter should not be left where it is. Perhaps best course would be for a short reply to be returned by the three representatives along the following lines but with differing phrases:

Our Governments have noted with regret that the Japanese Government have not seen their way to comply with their reasonable request; particularly so since they are unable to accept the contention of the Japanese Government either that regular and advertised trade in Japanese vessels is not proceeding at the present time both up and down the Yangtze or that the exercise by foreign vessels of their right to participate in this trade would interfere with the operations now in course. As regards former point it might be mentioned during the months of August and September no less than 70 cases were reliably reported in which ordinary commercial merchandise was carried by Japanese merchant vessels trading up and down the Yangtze. On latter point it might be observed that Yochow which is now the lowest point on the Yangtze at which important operations are proceeding is 120 miles above Hankow and 360 miles above Wuhu and that particularly as regards the stretch between Wuhu and Shanghai the arguments set forth in the Japanese note are regarded as unacceptable. The three Governments take note of the assurance in the last paragraph but consider that with every day's delay in rectifying the present state of affairs the seriousness of this discrimination against foreign rights and interests is intensified.

If agreement is reached to reply along these lines, my United States colleague and I suggest that, after despatch of these notes, the relevant correspondence should be published forthwith in each capital.

A summary of the Japanese reply was issued by the spokesman of the Ministry for Foreign Affairs before 2 p. m. yesterday although the text of the note was only received by us at 6 p. m. I propose at the first opportunity to represent to Vice Minister for Foreign Affairs

<sup>67</sup> *Foreign Relations, Japan, 1931-1941, vol. I, p. 795.*

discourtesy of this proceeding. My United States colleague will do the same.

I have not yet had an opportunity to discuss matter with my French colleague but will let you know his views later."

Repeated to Shanghai for Chungking and the Commander-in-Chief.

GREW

811.30 Asiatic Fleet/642 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, November 16, 1938—10 a. m.

[Received November 16—7:45 a. m.]

1414. Reference my No. 1404, November 10, 2 p. m.,<sup>68</sup> navigation of the Yangtze. Japanese Consul General informed me orally yesterday afternoon that the Japanese Navy is willing to facilitate the transit of a tanker as far as Wuhu to carry oil supplies intended exclusively for the use of the United States Navy. As to Kiukiang and Hankow, the Japanese Navy is ready to arrange for the transportation by its own means of such supplies intended exclusively for the use of the United States Navy.

Repeated to Tokyo. To Peiping by mail. Commander-in-Chief informed.

GAUSS

793.94/14361 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, November 16, 1938—7 p. m.

[Received November 16—6 a. m.]

731. Department's 364, October 26, 7 p. m., and our 687, October 26, 8 p. m. Following is our translation of the Vice Minister's reply to my letter of October 27<sup>69</sup> with regard to the urgent request of the Japanese authorities that vessels of third countries withdraw from the immediate vicinity of Hankow:

"Ministry of Foreign Affairs, November 11, 1938.

My Dear Ambassador: I have carefully perused the contents of Your Excellency's letter, dated October 27, setting forth your views concerning the urgent request for the withdrawal of naval and other vessels of Your Excellency's country from the vicinity of Hankow at the time of the attack on and capture of that place by the Japanese armed forces. The urgent request of the Japanese authorities concerned at Shanghai of which you refer was made in an effort to do everything possible to avert the occurrence of unforeseen damage to

<sup>68</sup> Not printed.

<sup>69</sup> *Foreign Relations, Japan, 1931-1941, vol. I, p. 626.*

naval and other vessels of third countries during the attack on junks which were known definitely to the Japanese military authorities to have a large number of Chinese soldiers aboard and to be brazenly swarming in the proximity of naval and other vessels of third countries. This, just as prior announcements of the Imperial Government which have frequently been made, was an act based upon the sincere wish for the preservation of the rights and interests of third countries and should, I believe, be so understood by Your Excellency.

The Japanese Government, considering the view expressed in the last part of the Minister's official note, No. 97, Asia I, October 14, 1938,<sup>70</sup> must endorse the action of the Imperial military authorities who, with the above-mentioned intent, made that urgent request.

As Your Excellency is aware, no unforeseen incidents involving vessels of Your Excellency's country occurred. Sincerely yours, Renzo Sawada, Vice Minister for Foreign Affairs."

Repeated to Chungking, Peiping and Hankow.

GREW

893.811/1032 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, November 17, 1938—2 p. m.

390. Your 730, November 15, 8 p. m., freedom of navigation on Yangtze.

1. The Department approves your proposal to express orally to the Vice Minister at a favorable opportunity surprise at the discourtesy of the Foreign Office in giving to the press a summary of the Japanese note of November 14<sup>71</sup> before the note had been delivered to you.

2. With regard to your recommendation that you address to the Minister for Foreign Affairs a further note on the subject of freedom of navigation on the Yangtze, the Department raises for your consideration the question whether the likelihood of the Japanese Government taking a favorable attitude would be improved by waiting for a short time, say about 2 weeks, before addressing a further formal communication to the Japanese Government. This interval would afford an opportunity to see whether the Japanese Government in practice modifies its attitude and to gather additional evidence in regard to the commercial use of the Yangtze by the Japanese. In the meantime, an oral rejoinder might be made promptly to the Japanese Foreign Office to the effect that the reply of the Japanese Government is unsatisfactory to this Government and that, while taking note of the assurance contained in the last paragraph of the Japanese Government's reply of November 14, your Government considers that the seriousness of the present discrimination against American rights and interests grows greater with each day's delay in correcting the

<sup>70</sup> *Foreign Relations, Japan 1931-1941*, vol. I, p. 624.

<sup>71</sup> *Ibid.*, p. 795.



situation. Under this procedure, the question of making public the texts of the communications exchanged would remain in abeyance.

The Department suggests that you discuss this procedure with your British and French colleagues. Should all of you be in agreement in reference to this procedure, you are authorized to proceed accordingly, it being understood that each of the three Ambassadors would take similar but separate action.

3. If, however, you and your colleagues are of the view that the procedure suggested in your telegram under reference would offer greater promise of favorable results, the Department authorizes you, if and when your British and French colleagues are prepared to take substantially similar but separate action, to communicate to the Japanese Foreign Office, with the same degree of formality of approach used in the presentation of your note of November 7,<sup>72</sup> a short statement in the sense of the first and last sentences of the rejoinder suggested in your telegram under reference. The Department is of the opinion that the argumentation of the two intervening sentences should be omitted and be reserved for possible future use.

With regard to the question of publicity, the Department offers for your consideration the suggestion that you inform the Japanese Foreign Office that, in view of the fact that the Foreign Office has already released to the press the substance of the Japanese reply and in view of the resulting comment and discussion which have already appeared in the press in regard to this whole matter, we feel that the American public should be given for its information the full texts of communications in regard to this matter between the Embassy and the Japanese Foreign Office.

If and when you make formal rejoinder to the Japanese Foreign Office, please telegraph the Department the text thereof.

Repeated to Chungking and to Shanghai for the information of the Commander in Chief.

HULL

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893.811/1041 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, November 19, 1938—11 a. m.

[Received noon.]

72. Following letter dated November 18 has been received from Japanese Consul General.

“At the request of the Imperial Japanese military authorities, I have the honor to inform you of the following :

‘Hereafter, navigation on the Han River is prohibited from necessity of military operations unless it is specially permitted by the military authorities.’

<sup>72</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 794.

It will be appreciated if you will be good enough to bring the above regulation to the notice of your nationals concerned in the Wuhan district at your earliest convenience."

Repeated to Chungking, Peiping.

JOSSELYN

893.811/1040 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, November 19, 1938—1 p. m.

[Received 2:45 p. m.]

742. Department's 390, November 17, 2 p. m., freedom of navigation on Yangtze.

1. My British and French colleagues concur with me in the wisdom of adopting the procedure set forth at the beginning of paragraph numbered 2 in the Department's telegram and we shall therefore take occasion within the next few days to express to the Japanese Foreign Office an oral rejoinder to the Japanese note of November 14<sup>73</sup> in the sense of the first and fourth sentences of Craigie's British proposal set forth in our 730, November 15, 8 p. m.

2. I shall take occasion to make these oral representations to the Minister for Foreign Affairs in my talk with him on November 21.<sup>74</sup>

3. Craigie feels that some kind of official publicity should be given in London and preferably also in Washington and Paris to the effect that we are dissatisfied with the Japanese note. I said I thought that my Government would prefer to delay such a step at least until I have reported the result of my conversation with the Minister for Foreign Affairs on Monday.

GREW

893.811/1055 : Telegram

*The Commander in Chief, United States Asiatic Fleet (Yarnell),  
to the Chief of Naval Operations (Leahy)*<sup>75</sup>

[SHANGHAI,] November 29, 1938—2:50 p. m.

[Received November 30—7 a. m.]

0129. Vice Admiral Oikawa, Commander-in-Chief Japanese naval forces in China, delivered following memorandum dated 28 November at 1200 today:

"1. The Yangtze River was blockaded for military purposes by the Chiang Kai-shek Administration, but the booms were cut through by

<sup>73</sup> *Foreign Relations, Japan, 1931-1941, vol. I, p. 795.*

<sup>74</sup> See memorandum by the Ambassador in Japan, November 21, 1938, *ibid.*, p. 806.

<sup>75</sup> Copy transmitted to the Department by the Navy Department.

the Japanese forces in order to carry out military operations. The military operations along the river and in the adjoining areas are still continued on a scale as large as heretofore.

2. Furthermore, the movement of Japanese war vessels and military transports up and down the river is still very frequent, while the necessity of keeping military secrets remains as great as heretofore. Moreover, the activities of Chinese irregulars on the river and along the banks are still unabated. The danger of mines and bullet or shell-fire still exists even below the Kiangyin boom, as is evidenced by the facts that the Japanese troops at Changkaikiang were fired upon from a ship on the river on October 24th while engaging guerillas on the other side, and that the *Tokusin Maru*, a Japanese military transport, was attacked above Tungchow on November 18th.

The Japanese forces are still engaged in destroying the Chinese forces along the river, in clearing or surveying the channels, and in setting up beacons. There has been no great change in the situation as far as the military operations along the Yangtze are concerned.

3. Therefore, as long as the Chiang Kai-shek Administration continues the warfare against Japan, considerable time will yet be required before the military operations along the Yangtze River can be ended and it is deemed appropriate for the navigation of third power vessels to be allowed.

4. Nevertheless, in view of the fact that a considerable time has elapsed since war vessels belonging to the Navy of your country were blocked up on the Yangtze by the Chinese forces and that these vessels may have been suffering from various inconveniences, I am ready to consider rendering, if you so desire, facilities for the navigation of only the warship, on the following conditions:

**Affirm.** The navigation shall be effected solely on your own risk.

**Baker.** Only the downriver navigation of the warship stationed on the Yangtze River between Wuhu and Yochow, and the upriver navigation of the relief warship not exceeding the original number of ships to be relieved at each station in the said area, shall be allowed.

**Cast.** Downriver transportation of your nationals residing in the said area and transportation of foodstuffs by the warship navigation up or down the river in accordance with (Baker) shall be allowed.

**Dog.** The navigation shall not hamper the Japanese military operations.

**Easy.** In view of the fact that the mechanical mines in the Yangtze River are still dangerous to a considerable degree, and the important Japanese vessels are having their courses swept and being escorted, the warships of your Navy, when carrying out the above mentioned navigation, shall, in particular respects, be escorted and their course be swept by Japanese vessels, and they shall be conducted by Japanese vessels when crossing a boom or a defense net. The above facilities being to be afforded by the Japanese forces while they are engaged in active operations, and the capacity of the forces available being limited, the downriver navigation of the warships of your Navy and the despatch of the relief warships will have to be restricted to only once, and the downriver or upriver navigation of the warships of all the countries shall be effected in a group respectively. The date for the navigation will be fixed by consultation probably in the beginning of December. By undertaking the sweeping of the course

and the escort, the Japanese Navy do not mean to hold themselves responsible for the safety of the warships of your Navy.

Fox. The anchorage of the warships of your Navy shall be in accordance with (Baker), except the possible temporary anchorage necessary for the navigation.

George. In view of the false report that followed the explosion of a mine at Kiukiang on August 28th, 1938, you are requested to guarantee that, in the event of the occurrence of any incidents, they shall not be reported by newspapers or otherwise as deliberately created by the Japanese.

Hypo. Navigation below Wuhu shall remain the same as heretofore.[<sup>75</sup>]

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811.30 Asiatic Fleet/657 : Telegram

*The Commander in Chief, United States Asiatic Fleet (Yarnell),  
to the Chief of Naval Operations (Leahy)* <sup>76</sup>

[SHANGHAI,] December 3, 1938—5:20 p. m.

[Received 10:50 a. m.]

0003. Arrangements completed for *Luzon* proceed down river on 5 December and *Monocacy* to proceed on 6 December if American party from Kuling arrive Kiukiang on that date. *Guam* will remain Hankow until arrival *Oahu* which still indefinite.

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393.115 Standard Vacuum Oil Company/80 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, December 16, 1938—2 p. m.

[Received December 16—2 p. m.]

1478. On December 12, I requested the Acting Japanese Consul General to arrange with the Japanese naval authorities for the Standard Vacuum Oil Company's motor vessel *Meiyun* to proceed from Kiukiang to Shanghai for much needed overhaul. I suggested that the *Meiyun* proceed down river with the U. S. S. *Guam* which is scheduled to leave Hankow for Shanghai on or about December 19.

I have now been orally informed by the Japanese Consulate General that the Japanese naval authorities state they are unable to grant permission because similar requests made on behalf of British vessels have already been refused. I am awaiting receipt of a written explanation but desire to report this case as a particular instance of Japanese refusal to permit navigation on the Yangtze by an American commercial vessel even for the purpose of repairs and as a further instance of Japanese interference with American rights.

Repeated to Tokyo and Hankow. To Peiping by mail.

GAUSS

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<sup>76</sup> Copy transmitted to the Department by the Navy Department.

393.115 Standard Vacuum Oil Company/81: Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, December 22, 1938—1 p. m.

[Received December 22—12:40 p. m.]

1491. [My] 1478, December 16, 2 p. m., regarding Japanese refusal to permit Standard Vacuum Oil Company's *Meiyun* to proceed from Kiukiang to Shanghai for overhaul.

1. Yesterday afternoon Kawahara of the Japanese Consulate and Commander Mitunobu of the Japanese Naval Special Service Section acknowledged and handed in a written reply to my request of December 12 which, after reciting the fact that arrangements made for foreign naval vessels to proceed down river did not include commercial vessels and that a similar request made in connection with a British commercial vessel had been refused, concluded as follows: "I should like to add that the Japanese naval authorities are considering the possibility of arranging for the *Meiyun* to sail down the river in due course of time."

2. In connection with the "possibility" referred to above, Commander Mitunobu said they were anxious to make some special arrangement in the case of the *Meiyun* and he tentatively suggested as a possible solution that the *Meiyun* be chartered to the Japanese naval authorities for a "short time" and then turned over to the Standard Vacuum Oil Company at Shanghai. Mitunobu added charter fees would also be paid to the company here. This suggestion has been communicated to the Standard Vacuum Oil Company who state that they would be agreeable to chartering the vessel only for the trip to Shanghai provided I do not seriously object to such an arrangement.

3. I do not look with much favor upon the chartering of an American vessel to the Japanese naval authorities particularly as this arrangement is an obvious usurpation. On the other hand I appreciate the anxiety of the company to get the *Meiyun* to Shanghai. However, before taking any action I request the Department's instructions.

Repeated to Tokyo and Hankow, by mail to Peiping.

GAUSS

393.115 Standard Vacuum Oil Company/82: Telegram

*The Acting Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, December 23, 1938—6 p. m.

656. Your 1491, December 22, 1 p. m., in regard to movement of Standard Vacuum Oil Company's *Meiyun* from Kiukiang to Shanghai for overhaul. The Department likewise is not favorably disposed toward the proposed method of handling the matter. However, it

feels that, in view of the circumstances, you should inform the company that, whereas the American authorities are prepared to continue their endeavors to obtain the removal of the Japanese restrictions upon the movement of the vessel, you feel that the decision in this matter should be reached by the company independently of any advice from you and that the Consulate General and other agencies of this Government can assume no responsibility in regard to any arrangement which may be entered into relating to the charter contract.

Repeated to Peiping and Hankow. Shanghai repeat to Tokyo.

WELLES

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811.30 Asiatic Fleet/661 : Telegram

*The Consul at Tsingtao (Sokobin) to the Secretary of State*

TSINGTAO, December 28, 1938—3 p. m.

[Received December 28—10 a. m.]

36. Referring to the Consulate's telegram No. 12 of November 12, 9 a. m., Standard Vacuum Oil Company has reluctantly arranged for shipment of bulk gasoline from Shanghai to Tsingtao on Japanese vessels one of which was permitted to discharge at wharf on December 25; another Japanese vessel will bring oil to Tsingtao for Company on January 1.

SOKOBIN

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**SETTLEMENT BY JAPAN OF THE CASE OF ATTACK ON THE U. S. S. "PANAY," SUNK DECEMBER 12, 1937, IN THE YANGTZE ABOVE NANKING<sup>77</sup>**

394.115 Panay/302 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, January 21, 1938—8 p. m.

[Received January 21—8:20 a. m.]

47. I hope that our 46, January 21, 7 p. m.,<sup>78</sup> concerning disposal of funds contributed by Japanese for the purpose of expressing their sympathy to the survivors of the *Panay* disaster may have your own direct consideration. The issue involved seems to me of prime importance and I feel that much depends on the Department's favorable decision. Should these funds have to be returned to the donors, the Embassy, through no fault of its own, would be placed in a most difficult and embarrassing position and I fear that the resulting reaction on Japanese public opinion owing to probably widespread publicity,

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<sup>77</sup> For previous correspondence, see *Foreign Relations*, 1937, vol. iv, pp. 485 ff.; see also *Foreign Relations*, Japan, 1931-1941, vol. i, pp. 517-563.

<sup>78</sup> *Ibid.*, p. 554.

would be very unfortunate. I think that especially at this time of military depredations we should do our best to retain the sympathy of the Japanese public and that to return these donations to the contributors would very likely cause resentment throughout the country against the United States. I therefore earnestly hope that you may find it possible to accept the compromise which we propose in paragraph 4 of our telegram.<sup>79</sup>

GREW

394.115 Panay/388a : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, March 9, 1938—11 a. m.

81. Your 679, December 24, 8 p. m.<sup>80</sup> I. N. S. despatch from Tokyo dated March 4 states "Navy Minister Yonai today exonerated the Japanese officers involved in the Yangtze River bombing and sinking of the United States gunboat *Panay*".

Please endeavor to ascertain and report the basis of this report.

HULL

394.115 Panay/393 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

Tokyo, March 14, 1938—4 p. m.

[Received March 14—11:05 a. m.]

171. Department's 81, March 9, 11 a. m.

1. On March 4 a member of the Budget Committee of the Lower House interpellated the Minister for Foreign Affairs<sup>81</sup> on relations with the United States. He made extended reference to the *Panay* incident and expressed the opinion that the bombing was due to the excitement of the air force while in hot pursuit of the enemy. The interpellator then put the following question to the Minister for Foreign Affairs [*of the Navy*].

"Was it not necessary to have the man who commanded this squadron one who was not just a fighter but one who would pay full attention to the complicated international relationships and one who was a deep thinker? Even though a man be careful and considerate it is not unreasonable for him to lose his cool judgment in the 'heat of battle' to wipe out the enemy. I would like the Navy Minister to deeply consider the administration of personnel who operate in the complicated sections of war operations and I would like to have the Navy Minister pay attention to the administration of personnel so that such a thing as this (*Panay*) will not again occur."

<sup>79</sup> For the Department's reply, see telegram No. 23, January 23, 4 p. m., *Foreign Relations, Japan, 1931-1941*, vol. I, p. 556.

<sup>80</sup> *Ibid.*, p. 549.

<sup>81</sup> Koki Hirota.

The office of the Naval Attaché has translated as follows the complete text of the reply of the Minister of the Navy as officially recorded:

"I believe that Mr. Takahashi's questions can be generally divided into two points; first, the problem of administration of personnel and, second, that of communication liaison. According to the views of the authorities (naval) I understand there was nothing to be desired as far as personnel administration is concerned and consequently there was no connection of any kind between the so-called *Panay* incident and the question of administration of personnel. I concur in that opinion. Generally speaking the question of administration of personnel is a very serious one. As for myself, I am exerting my best efforts toward the proper administration of personnel and in the future this same policy will be followed. We have hoped that communications in time of battle would be carried out completely and with satisfaction. However, it would be difficult to guarantee that some defect would never occur. Consequently, we are paying full attention so that there will be no repetition of such a breakdown in the future as occurred in the past or that new breakdowns occur in the future."

2. The Naval Attaché informs me that the correspondent of the International News Service whose story was based on the foregoing statement has attempted to sensationalize the *Panay* incident and that he has been endeavoring in various ways to keep the incident alive.

3. The Naval Attaché will, as opportunity offers, endeavor to ascertain discreetly what action, if any, has been taken in respect of those officers held responsible for the incident.<sup>82</sup>

GREW

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394.115 Panay/443: Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, April 22, 1938—9 p. m.

[Received April 22—2 p. m.]

265. Our 264, April 22, 5 p. m.<sup>83</sup>

1. The following is our translation of the Foreign Office note with which the *Panay* indemnification was transmitted:

"Number 52, American, April 22, 1938. Excellency: Having been informed by your Government [*note*] number 899 of March 21<sup>84</sup> of the amount required as indemnification for losses to American property and for death and injury of American citizens as a result of the attack on December 12 last by Japanese naval airplanes on the American warship *Panay* and on American merchant vessels, a request was

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<sup>82</sup> See telegram No. 194, March 22, 6 p. m., from the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 560.

<sup>83</sup> *Ibid.*, p. 563; it reported receipt of the Japanese check in settlement of the United States claim.

<sup>84</sup> For text, see telegram No. 99, March 19, 4 p. m., to the Ambassador in Japan, *ibid.*, p. 559.



made by Director Yoshizawa of Counselor Dooman of Your Excellency's Embassy for a detailed statement, which was made available by a reply dated the 9th instant.<sup>85</sup>

The Imperial Government has now completed the required procedure with regard to this matter, and there is transmitted herewith by check the total amount for indemnification, \$2,214,007.36 United States currency, which I request Your Excellency to be so good as to forward to your Government. I avail, et cetera. Koki Hirota, Minister for Foreign Affairs. His Excellency Joseph Clark Grew."

2. When handing the note to us, the Foreign Office raised orally and informally several points, of which the following are urgent:

(a) In my note number 838 of December 14<sup>86</sup> and in several other immediately subsequent communications to the Foreign Office, I stated that only three Standard Oil vessels had been sunk, whereas in the detailed statement sent by Dooman to Yoshizawa several additional vessels are mentioned as having been sunk. No question of the facts has arisen, as the Japanese Navy has ascertained that all the vessels listed in Dooman's letter were sunk. Nevertheless, for purposes of accounting and for other reasons which are confidential the Foreign Office would appreciate receiving from us a memorandum, dated as of today, setting forth the fact that omission from my notes of mention of the additional vessels under reference was due to impracticability of ascertaining exactly the total damage done until some time later.

(b) In paying the entire amount claimed for indemnification for personal injuries, the Japanese Government assumes that such amount does not include indemnification for cases of "nervous shock". If the assumption should be incorrect, the Japanese Government hopes that no publicity will be given to the fact that persons who were "shocked" but otherwise unharmed are receiving indemnification. (For our personal information the Foreign Office explained that a British claim for several such cases was causing trouble, for the reason that cases of nervous shock are not sympathetically viewed "in certain Japanese quarters").

(c) The Japanese Government assumes that having paid indemnification it may with propriety now salvage the vessels for conversion into scrap metal.

3. Instructions by telegraph with regard to points (a) and (c) above are requested.

4. Additional points raised were:

(d) If the American Government should at some later time decide to replace the *Panay*, the Japanese Government would appreciate receiving contract for construction in Japan.

<sup>85</sup> For text, see telegram No. 123, April 7, 6 p. m., to the Ambassador in Japan, *Foreign Relations*, Japan, 1931-1941, vol. I, p. 561.

<sup>86</sup> For text, see Department's telegram No. 342, December 13, 1937, 8 p. m., *ibid.*, p. 523.

(e) What was the basis of calculation by Standard Oil Company for computing loss due to deprivation of use of vessels until replaced?

(f) A detailed statement was requested setting forth every item in the Standard Oil claim, indemnification to each individual for physical injury and indemnification for each individual killed.

Repeated to Shanghai for Hankow and Commander-in-Chief.<sup>87</sup>

GREW

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394.115 Panay/443 : Telegram

*The Acting Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, April 25, 1938—6 p. m.

147. Your 265, April 22, 9 p. m. Following in reply to your numbered paragraphs:

1. If you have not already done so, you should make a simple acknowledgment of the receipt of the note and the enclosed check from the Minister of Foreign Affairs without additional comment other than a statement that you are transmitting them to your Government.

2. (a) You may furnish a memorandum in sense requested by Foreign Office.

For your information four vessels were sunk. A fifth vessel was beached and burned.

(c) Japanese Government may salvage vessels of Standard-Vacuum Oil Company on the understanding that representatives of the company may be present when vessels are raised and be permitted to recover books, documents and papers constituting official records of the company, as well as logs, registry documents, et cetera for purpose of turning them over to the American consular authorities in China. Will advise later regarding *Panay*.

4. (e) and (f) Department will supply data regarding Standard Vacuum Oil Company claim when distribution shall have been made.

WELLES

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394.115 Panay/448 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, May 6, 1938—6 p. m.

162. Your 265, April 22, 9 p. m., and Department's 147, April 25, 6 p. m. You are instructed to inform the Foreign Office that the question of salvaging the U. S. S. *Panay* has been carefully examined

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<sup>87</sup> Adm. Harry E. Yarnell, of the U. S. Asiatic Fleet.

by your Government and that it finds no authority in law for acceding in any case to such a request as that under reference of the Japanese Government.

HULL

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**MEASURES TAKEN BY THE UNITED STATES FOR THE PROTECTION OF AMERICAN LIVES AND PROPERTY IN CHINA RESULTING FROM HOSTILITIES BETWEEN JAPAN AND CHINA<sup>88</sup>**

893.1028/1572 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, January 2, 1938—10 a. m.

[Received January 2—7:05 a. m.]

2. Shanghai Municipal Council late yesterday issued an emergency proclamation to the effect that as a period of grave emergency continues to exist, armed outrages continue to occur on a grave scale in the Settlement, and it accordingly appears necessary to the Council to accord to the police certain emergency powers, therefore it is proclaimed that "any person committing an offense against armed forces in the International Settlement will be liable to be handed over to the armed forces concerned, that any person committing armed crime in the International Settlement will be refused the sanctuary of the Settlement and will be liable to expulsion therefrom, that the municipal police are authorized to search all premises public or private for unauthorized arms" and that rewards will be paid to persons giving information leading to the apprehension of terrorists or to the seizure of unauthorized arms.

Repeated to Hankow and Peiping.

GAUSS

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793.94/11940 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, January 2, 1938—noon.

[Received 2 p. m.]

3. Japanese Consul General has addressed letter to Senior Consul saying that Japanese military and naval authorities desire to obtain from the Consuls General of interested powers in Shanghai all available information on the exact location of properties of the third powers both private and Government owned which are to be declared within or near the zone of the present hostilities with a view to preventing the occurrence of any unfortunate incident relative to such foreign properties. Letter states that some colleagues have already

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<sup>88</sup> Continued from *Foreign Relations*, 1937, vol. iv, pp. 236-430.

furnished information on foreign property in particular districts but in view of the activities of the Japanese forces extending gradually to the inland of China it is desired to have further information with as much detail as available and preferably with copies of maps concerning the foreign properties that are found in any important cities and towns in the interior of China.

2. All available information on the Shanghai District was supplied to the Japanese some time ago under authority of the Department's 270, August 24th to Shanghai.<sup>89</sup> A later request for further information for all China was dealt with in Nanking's No. 745, October 1, 1 [3] p. m.,<sup>90</sup> and the Department's No. 302, October 4, 10 p. m., to Peiping;<sup>90</sup> in view of which I await Department's instructions before replying to the letter of the Japanese Consul General mentioned in paragraph 1 of this message.

Repeated to Hankow and Peiping.

GAUSS

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893.1028/1573 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, January 3, 1938—3 p. m.

[Received January 3—2:30 p. m.]

5. Reference my 2, January 2, 10 a. m. I have today informed the chamber [*chairman?*] of the Shanghai Municipal Council by letter that while I am desirous of cooperation with the Council in the present emergency, I am unable to accept the emergency proclamation as applying to American nationals or American property in derogation of American extraterritorial rights or jurisdiction. I am transmitting a copy of this letter to the Senior Consul.

2. French Ambassador informed me this morning that in connection with discussions between the French and Japanese military authorities concerning the opening of areas adjoining the French Concession, the Japanese authorities recorded a condition that any person committing offenses affecting the Japanese military forces shall be tried by Japanese military law. The French Ambassador advised his military commander that he cannot accept or discuss any such condition.

3. As the British, American and Italian Commanders are understood to have been discussing with the Japanese military authorities the opening of areas west of the International defense lines, and so far as I am aware the interested Consuls General have not been consulted or informed of the details of the discussions, I have ad-

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<sup>89</sup> Not printed.

<sup>90</sup> See telegram No. 251, October 5, 1937, 8 p. m., to the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 510.

dressed a letter to the Commander in Chief<sup>91</sup> bringing the foregoing information to his attention and expressing the hope that the American Marine Commander<sup>92</sup> will not accept or assent to any Japanese stipulation that Americans in the areas concerned shall be subject to Japanese military laws under any circumstances.

Repeated to Hankow and Peiping.

GAUSS

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893.102S/1574 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, January 4, 1938—2 p. m.

[Received January 4—9 a. m.]

10. Reference my No. 5, January 3, 3 p. m., paragraph 3. American Marine Commander states the subject has not been discussed during the conferences held by the military commanders and that such matters not being within his jurisdiction will when they come up be referred to me.

Repeated to Hankow and Peiping.

GAUSS

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393.1115/2414 : Telegram

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

HANKOW, January 4, 1938—3 p. m.

[Received January 4—2:40 p. m.]

6. My 108, December 27, 11 a. m.<sup>93</sup> Following memorandum was handed me yesterday by the German Ambassador:

“According to a telegram from the German Embassy in Tokyo, the Japanese Ministry for Foreign Affairs has pointed out that it would be nearly impossible for airplanes to distinguish foreign houses marked with flag and that in case of an air attack, the concentration of foreign nationals in said zones formerly mentioned would therefore be advisable.”

The telegram was in response to a message along the same lines as my 33, December 13, 4 p. m.,<sup>94</sup> which the German Ambassador sent to Tokyo in which he pointed out immediately that many foreigners were living in houses likely to be with flags outside the notified area.

Sent to Peiping, Shanghai. Peiping please repeat to Tokyo.

JOHNSON

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<sup>91</sup> Adm. Harry E. Yarnell, U. S. N., commanding the United States Asiatic Fleet.

<sup>92</sup> Brig. Gen. John C. Beaumont.

<sup>93</sup> *Foreign Relations, 1937*, vol. IV, p. 418.

<sup>94</sup> *Ibid.*, p. 401.

793.94/11940 : Telegram

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

WASHINGTON, January 4, 1938—3 p. m.

4. Shanghai's 3, January 2, noon. The Department desires that you instruct the Consul General at Shanghai that in replying to his Japanese colleague he be guided by the Department's 299, October 5, 8 p. m.<sup>95</sup> and supplementary instruction 302, October 6, 7 p. m., to Nanking,<sup>96</sup> which telegrams you should repeat to Shanghai if you have not already done so.

The Embassy and the Consuls in China should continue to be guided by the Department's 299, October 5, 8 p. m. in dealing with requests from Japanese or Chinese authorities for information concerning the location of American institutions endangered by their proximity to places in the range of military operations.

HULL

893.76/59 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, January 4, 1938—6 p. m.

[Received 7:06 p. m.]

14. Referring to my telegram No. 1220, December 23, 11 p. m.,<sup>97</sup> yesterday afternoon 15 persons representing the Japanese military authorities came to the radio station in the International Settlement and announced that they were immediately establishing Japanese censorship on all messages and taking control of all funds received. They handed to George Shecklen, representative of R. C. A. Communications, Incorporated, the affiliate of Radio Corporation of America, a letter from the Japanese Consul General dated yesterday saying that the Japanese military authorities having reached the decision on November 27 to place the Chinese Government Radio Administration under their control they were now despatching their agents to the spot to give effect to that decision.

2. By an unsigned letter dated today and received about noon Shecklen informed me of the foregoing and asked me immediately to enter a strong protest on behalf of his company and to urge that the Japanese authorities agree to neutral censorship and to the deposit interstate in a neutral bank of the net revenues until a peace commission or other similar body shall decide to whom they belong.

<sup>95</sup> See telegram No. 250, October 5, 1937, 7 p. m., to the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 509.

<sup>96</sup> See telegram No. 251, October 5, 1937, 8 p. m., to the Ambassador in Japan, *ibid.*, p. 510.

<sup>97</sup> Not printed.

3. I called on the Japanese Consul General this afternoon and represented to him orally and by memorandum that the Radio Corporation and the Mackay Company, both American companies, have definite and substantial interests in the radio establishment at Shanghai and in the revenues thereof by way of traffic and other agreements and that the American authorities expect that these, the American interests, will be scrupulously respected and protected.

4. I discussed protocol at length with the Japanese Consul General and a secretary whom he called in as being familiar with the details. I was repeatedly assured that the Japanese authorities will respect the traffic agreements held by the foreign companies and that they will also respect any other obligations due under any agreement to the Radio Corporation. As at the request of Shecklen, I advanced the proposals for the neutral censorship and deposit of funds in a neutral bank. I was informed that these proposals made by Shecklen had been reported to the Japanese military who found them definitively unacceptable. I pointed out that according to Shecklen Japanese control would probably result in a walkout of the Chinese staff. They asserted they are prepared to meet that situation, and that they desire to continue the radio service and will maintain it. I inquired whether there had been any consideration of control by a neutral committee of representatives of the interested foreign companies. They replied that such a proposal had been considered at the beginning but was opposed by Shecklen and would not now be given consideration.

5. The Chinese staff has not yet walked out but Shecklen expects them to do so on orders of the Ministry of Communications to which he has reported the situation.

6. The Japanese again told me that they question the agreement dated July 7 under which Shecklen claims his company has control and management of the Shanghai station. They question the date and also whether the agreement was made in good faith and not for ulterior purposes. Japanese Consul General also told me he had positive proof that certain statements or assurances given by Shecklen that the radio station was not being used for the transmission of military information to the Chinese were untrue.

6. [7?] It remains to be seen whether the Japanese are prepared at once to staff and maintain the radio service if the Chinese walk out. While the main office is in the International Settlement, several sending and receiving stations are in the French Concession.

The French Ambassador discussed this matter with me yesterday morning, inquiring concerning the alleged agreement of July 7, asserting that Japanese censors would not be permitted in the French Concession but could operate in the International Settlement, that the several foreign companies should agree on a common policy where-

upon the representatives of the interested powers could deal with the Japanese and Chinese sides, and assured me that in the interest of maintaining radio service, since the cables are likely at any time to be broken, he will do what he can to keep the stations in the French Concession in operation as long as possible.

7. [8?] I have long been convinced that Shecklen could not maintain his position against the Japanese particularly in view of their distrust of him and that the only solution which would adequately have protected all interests was to be found in a committee control which the Japanese say they will not now consider.

Sent to the Department. Repeated to Hankow for information.

GAUSS

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893.102S/1573 : Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, January 4, 1938—8 p. m.

7. Your 5, January 3, 3 p. m., and 10, January 4, 2 p. m. Department approves of the position and action taken by you as reported in your No. 5.

For your information, guidance and use if occasion arises, in the light of existing law, treaties and policy, this Government cannot, and therefore no agent of this Government could with any binding effect, enter into any commitment the purport of which would be to recognize or give countenance to any attempt on the part of any foreign government or agencies thereof to exercise jurisdiction over American nationals in China.

Department's 384, December 30, 3 p. m., to Tokyo, is repeated for your information:

[Here follows text of telegram No. 384 printed in *Foreign Relations*, 1937, volume IV, page 426.]

Repeat to Ambassador at Hankow.

HULL

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793.94/11974 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

ABOARD U. S. S. "OAHU," January 5, 1938—4 p. m.

[Received January 5—3:35 p. m.]

4. Arrived Wuhu at 10:30 a. m. at the end of a severe air raid carried out by Chinese planes. Nine Chinese heavy bombers dropped approximately 17 bombs on the airfield and an unknown number at four different places in the city of Wuhu. No American property was damaged and no Americans hurt.



I went ashore with staff and while Espy and McFadyen<sup>98</sup> inspected American property elsewhere in company of Reverend L. R. Craighill, I interviewed Dr. R. E. Brown of the Wuhu General Hospital. According to Dr. Brown, during first week of occupation Japanese troops engaged in "ruthless treatment and slaughter of civilians and wanton looting and destruction" of private property in the city. Persons of foreigners have been respected but where property was left unguarded it has usually been pilfered. Japanese Army, Navy and Consular officials called on him separately to apologize for the tearing of an American flag from hospital junk on December 13th. Two American nurses, Miss Frances Culley and Mrs. Wilma May, hope to leave Wuhu for Shanghai January 8th on the steamship *Whangpoo*.

Standard Vacuum and Texas installations unharmed. Standard installation entered and 14½ tons fuel oil taken by Japanese Navy for which receipt was left. Offices in city of both companies intact but completely rifled. Small safe in Standard Vacuum office broken open and contents gone but cabinet safe unopened. Dollar Company building intact but offices pilfered. Property of American Church and Christian Advent Mission intact and all American occupants safe.

Will submit detailed report by mail.<sup>99</sup> *Oahu* left Wuhu at 2 p. m. and as we are returning, large fires are visible all along south bank of river presumably of Japanese origin.

Sent to Embassy [at] Hankow, repeated Shanghai.

ALLISON

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893.102S/1578 : Telegram

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

HANKOW, January 6, 1938—4 p. m.

[Received 6:50 p. m.]

9. Following is Embassy's transcription of memorandum dated January 5 received from Foreign Office:

"The Ministry of Foreign Affairs has received reports from various sources to the effect that the Municipal Council of the International Settlement in Shanghai has just issued a proclamation in which it is stated that 'any person committing an offensive [*offense*] against an armed force in the International Settlement will be handed over after arrest to the armed force concerned for any punishment it may decide to inflict'.

The procedure of the Municipal Council in Shanghai as set forth above is, if the reports are true, obviously opposed to the system of government now in force in the Settlement as established by law, and cannot be recognized by the Chinese Government. The American

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<sup>98</sup> James Espy, Vice Consul, and A. A. McFadyen, clerk.

<sup>99</sup> Not printed.

Embassy is asked to inform the appropriate authorities to rectify the situation without delay. If the Municipal Council for the International Settlement in Shanghai hands over to any armed force whatever on the basis of the procedure set forth in the aforementioned proclamation any person over whom Chinese courts have right to exercise jurisdiction, the Chinese Government will regard it as an act in violation of law and the Government hereby reserves all rights in the premises to which it may be entitled."

Sent to Department. Peiping repeat to Tokyo. Repeated to Shanghai.

JOHNSON

393.1115/2447 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, January 6, 1938—5 p. m.

[Received January 6—4:11 p. m.]

7. Arrived Nanking 11:00 a. m. and met by Japanese Consul, naval and military representatives who were very cooperative. Following is brief preliminary report concerning American lives and property here.

All Americans in city are safe and well. There has been considerable looting of American property by Japanese soldiers though the situation has improved of late. Buildings have been but slightly damaged while contents left unguarded have generally been looted. American residents without [*with*] whom I had lunch tell an appalling story of wanton killing of civilian Chinese and violation of women, some taking place in American property. Standard Oil and Texaco installations entered and stocks removed though amounts taken still unknown.

General conditions in city slowly returning to normal. Embassy has water but no electricity. Food supplies restricted somewhat. Japanese troops still imperfectly controlled but it is believed worst is over.

Embassy buildings and all property in two compounds generally in good condition. Japanese have returned two of the automobiles taken and have offered to replace with new automobiles the six not returned. Embassy automobiles not returned belong to the Ambassador, Aldredge,<sup>1</sup> Jenkins,<sup>2</sup> and Lafoon.<sup>3</sup> Embassy employees and servants here all safe with exception of Jenkins' boy<sup>4</sup> who was killed presum-

<sup>1</sup> Second Secretary of Embassy.

<sup>2</sup> Third Secretary of Embassy.

<sup>3</sup> Vice Consul at Shanghai.

<sup>4</sup> Chinese servant.

ably while attempting to guard Jenkins' house outside Embassy compound which was thoroughly looted.

*Oahu* plans to remain Nanking approximately 2 days before returning to salvage operations. Will attempt to get more detailed report off before it leaves.

Sent to Embassy [at] Hankow. Repeated to Department and Shanghai.

ALLISON

893.76/61 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, January 6, 1938—6 p. m.

[Received January 6—9 : 25 a. m.]

26. George Shecklen, representative of RCA Communications, has just informed me by telephone that he has moved into the International Settlement certain radio apparatus set up several months ago at his house for the purpose of radio broadcasts to the United States, that he proposes to use this apparatus for radio messages, and that he expects American protection. Asked as to his authority to maintain such service, he said that the radio broadcast stations had been authorized by the Chinese Ministry of Communications which is the only "legal authority" in Shanghai. I informed Shecklen that I was not in a position to extend him protection in this activity without instructions from the Department and that I expected him to inform me immediately in writing of his intentions which I shall report to the Department with a request for instructions. I cannot believe that his principal will countenance such activities which only lead to serious difficulties with the Japanese.

GAUSS

793.94/11982 : Telegram

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

HANKOW, January 6, 1938—6 p. m.

[Received January 6—5 : 23 p. m.]

11. My 4, January 3, 5 p. m.<sup>5</sup> Under date January 5 I replied informally to the Minister for Foreign Affairs<sup>6</sup> that arrangements are being made to inform the Chinese Air Force through him of designated anchorages and movements of American naval and commercial vessels but I pointed out that in times of emergency it is often necessary to move naval vessels on short or no notice. I expressed the

<sup>5</sup> Not printed.

<sup>6</sup> Wang Chung-hui.

expectation of my Government that in making attacks the Chinese air forces will identify targets before attacking. I then detailed approximately positions of naval vessels and gave distinctive markings and requested that every precaution be taken against inflicting injury to them.

Sent to the Department. Repeated to Shanghai and Peiping. Shanghai inform CinC.<sup>7</sup>

JOHNSON

793.94/11981 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, January 6, 1938—10 p. m.

[Received January 6—4:55 p. m.]

28. Following received from Tokyo and repeated to Hankow:

"January 2, 1 p. m. Our December 29, 1 p. m. Foreign Office requests that maps referred to be forwarded to Tientsin or Peiping to be turned over to the Japanese Forces there as soon as possible as operations around Hsuchow are about to begin. Grew."

Following reply from Hankow has been repeated to Toyko:

"It is impossible for Consulate [at] Hankow to furnish maps to Tientsin at this time there being no communication with that office. American property in Hsuchow has been marked with flags. Dr. Brown has been told about use of white flags with blue cross. Japanese forces should be instructed to use all care in attack on Hsuchow to identify and refrain from attack upon American property here. Johnson."

GAUSS

893.76/62 : Telegram

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

HANKOW, January 7, 1938—3 p. m.

[Received 5 p. m.]

13. United Press representative Hankow informs me he is unable to serve Shanghai clients by regular wire services through Hong Kong. He asks that naval radio facilities Hankow to Shanghai be opened to him. Service Hankow-Hong Kong-United States is open. I am embarrassed by request because it would be necessary for me to exercise supervision over contents of messages lest radio service now needed by the Government be compromised. I would welcome Department's advice in this matter.

Sent to Department. Repeated to Shanghai.

JOHNSON

<sup>7</sup> Commander in Chief, United States Asiatic Fleet.

124.932/550 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, January 7, 1938—4 p. m.

[Received 7:07 p. m.]

8. During the last week of December Japanese soldiers broke into both Embassy compounds frequently and in addition to taking the two motor cars previously reported took money and property, including jewelry and watches, belonging to members of the Chinese staff and servants totalling in value several hundred dollars Chinese currency. With the exception of the motor cars, property belonging to American members of staff has suffered little or no damage. On December 30 representatives of the Japanese Embassy offered to recompense all Chinese in the compound for losses sustained and after consultation with American residents here Mr. Seldon, Embassy clerk, accepted Chinese dollars 801.30 to be distributed among the Chinese.

In conversation with Mr. Okamura of the Japanese Embassy yesterday I pointed out the serious nature of this violation of American Embassy property and employees and stated that some form of redress must be made. Mr. Okamura admitted the violation of Embassy property and stated that the Japanese Government was willing to make an official apology. He inquired whether in view of the fact that the Japanese Commander-in-Chief in this area is an Imperial Prince<sup>8</sup> an apology tendered by his Chief of Staff to me as the American representative would be sufficient. If not, Mr. Okamura asked if an apology by the Japanese Ambassador to the American Ambassador would be required on [*or?*] whether the American Government would require an official apology from the Japanese Government tendered by the Japanese Ambassador at Washington. Mr. Okamura said that his Government hoped that the affair could be settled by a local apology in Nanking for it feared that if much publicity were given the matter as a result of a more formal apology public opinion in both Japan and the United States would become inflamed and perhaps lead to further tension between the two countries. I replied that it would be necessary for me to consult the Ambassador and the State Department before I could inform him what form of apology would be satisfactory. Instructions are requested in this regard.

Besides the foregoing, ample details regarding other American property violations follow tomorrow.

Sent to Hankow. Repeated to Department and Shanghai.

ALLISON

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<sup>8</sup> Yasuhiko Asaka.

893.0146/609a : Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, January 7, 1938—5 p. m.

17. Department and Chief of Naval Operations<sup>9</sup> learned by accident a few days ago that a contingent of U. S. Marines sent as reinforcements to Shanghai in August 1937 had been withdrawn. Responding to Department's request for particulars, Navy Department informed us on January 4 that there left Shanghai on November 10 last, on the *Henderson* for Cavite, Marines numbering 2 officers and 102 enlisted men.

This apparently had not been especially reported to Navy Department or in any way to this Department.

This Government is trying to maintain close liaison with other governments interested in common with us in problems of protection, etc. Exchange of information and views with regard to use and movements of armed forces in connection with those problems is a part of the procedure. Publicity here in regard to contemplated or effected increases or decreases in the numbers of American armed forces in China is sometimes desirable and sometimes not desirable. Department therefore wishes to be informed, in advance when possible, whenever such increases or decreases are in contemplation or are effected.

**HULL**

893.76/61 : Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, January 7, 1938—6 p. m.

18. Reference your 26, January 6, 6 p. m. The Department today communicated by telephone to W. A. Winterbottom, General Manager of RCA Communications, New York, the substance of your message in regard to the establishment by Shecklen of a radio transmitting station in the International Settlement at Shanghai and asked for an indication of his views in regard thereto. He replied that he had not before known of any such project; that RCA's relations with the Japanese authorities were good; and that he desired to keep them so. He expressed his disapproval of the proposed project and requested that this information be communicated to you.

The Department perceives no objection to your informing Shecklen of Mr. Winterbottom's attitude.

**HULL**

<sup>9</sup> Adm. William D. Leahy.

793.94/11999 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, January 7, 1938—11 p. m.

[Received January 7—7:43 p. m.]

39. Reference my 959 [1259], December 31, 11 p. m.<sup>10</sup> quoting Johnson's December 31, noon, regarding safety of Americans at Hankow. Japanese Consul General has asked me to communicate to Johnson reply from Japanese Ambassador that, careful consideration having been given to the suggestion concerning safety of lives and property of foreigners in and around Hankow, the Japanese authorities both civil and military came to the conclusion that they were unable to do better in answering the note under acknowledgment than to bring to your knowledge the following general principle to which the Japanese forces have so firmly subscribed, that is, the Japanese forces have no intention whatever to attack such places as are not utilized by Chinese troops for military purposes or such areas where Chinese troops have not established their military works and establishments and where there are no Chinese troops.

Sent to the Department, Hankow and Tokyo.

GAUSS

124.932/551 : Telegram

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

WASHINGTON, January 8, 1938—4 p. m.

9. Allison's No. 6 [8], January 7, 4 p. m., and your No. 15, January 8, noon.<sup>11</sup> The Department concurs in your view and that of Allison in regard to the serious nature of the violation of American Embassy property and outrages to employees by Japanese soldiers, and considers that an effort should be made at least in the first instance to effect a settlement locally at Nanking which settlement if satisfactory would obviate diplomatic action. The Department considers that such settlement should consist of an official apology and compensation. The Embassy should therefore instruct Allison to inform Okamura that this Government would consider acceptable an official apology tendered personally to Allison, as the representative of the Ambassador, by the chief of staff in the name of the Commander-in-Chief of the Japanese troops in the Nanking area.

Allison should also take up with Okamura or with other appropriate Japanese authorities the question of prompt and full compensation for violation of American property and outrages per-

<sup>10</sup> *Foreign Relations, 1937*, vol. iv, p. 429.

<sup>11</sup> Latter not printed.

petrated on the residence and servant of Secretary Jenkins as reported in Nanking's No. 5 [7], January 6, 5 p. m. Allison should keep the Embassy and Department informed of developments.

HULL

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124.932/553 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, January 8, 1938—4 p.m.

[Received 5:55 p. m.]

11. My 5 [7], January 6, 5 p. m. and 6 [8], January 7, 4 p. m. The Ambassador's motor car was returned in good condition late yesterday afternoon and shortly afterwards Acting Consul General Fukui came to the Embassy and presented 160 gallons of gasoline which he stated was in partial compensation for the three Embassy cars "borrowed" by the Japanese Embassy. In view of the difficulty of obtaining gasoline supplies, I accepted this contribution but stated that the final settlement of the matter would have to be discussed at a later date.

Further investigation of damage to American property, other than Embassy, disclosed that the main building of the Methodist Episcopal Mission North on Shenchoulu was gutted by fire, reputedly of Japanese origin, a few days after the fall of Nanking. Other pieces of American property damaged, belonged to United Christian Mission where two buildings of boys' school were burned and to American Church Mission where parish house was hit by shell fire.

Texas Company installation on December 30 and January 4 entered by Japanese soldiers, the American flag torn down, burnt and practically all stocks removed as well as personal belongings of employees. Buildings intact. Standard Oil Company installation and residence buildings intact though partially looted. American residents have reported numerous cases of Japanese soldiers tearing down and mutilating American flags and showing complete disregard for measures of American or Japanese Embassy proclamation setting forth the American nature of the property concerned. American property located in the so-called "safety zone" generally undamaged except for sporadic looting and pilfering.

I have made several oral and informal protests to the Japanese Embassy and have informed them that after I have an opportunity to make full investigations I deem it advisable to take up these various matters officially.

In sharp contrast to the reported action of Japanese soldiers before our arrival the attitude of all Japanese officials both civil and military



has so far been most courteous and helpful in affording our staff facilities for carrying on our work.

An inspection of the central business section of Nanking showed widespread destruction, nearly every shop and building on the main streets having been looted and most of them burned. The great majority of this destruction is supposed to have taken place after the Japanese entered the City. Our water supply has again been cut off and there is still no electricity.

Sent to Embassy [at] Hankow. Repeated to Shanghai.

ALLISON

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393.115/108 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, January 8, 1938—5 p. m.

[Received January 9—6 a. m.]

43. Reports received from American missionaries at Soochow and Hangchow indicate that there has been much looting of American property by Japanese troops in spite of the fact that almost without exception such properties were clearly marked by American flags and that in many instances they also bore notices issued by this office in the English, Japanese and Chinese languages indicating American ownership.

I have protested to the Japanese Consul General here against the looting of American property which appears to have been continuing and have requested that these facts be brought to the immediate attention of General Matsui;<sup>12</sup> that the soldiers responsible be disciplined and that stringent orders be issued and enforced to prevent extended looting, to protect to the fullest extent all American property in the areas now occupied by troops under General Matsui's command. I feel that similar representations in Tokyo would materially assist in inducing the Japanese authorities to take really effective measures to prevent further looting and give adequate protection to American property.

Repeated to Tokyo.

GAUSS

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793.003/890 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, January 10, 1938—noon.

[Received January 10—3 a. m.]

15. Department's 384, December 30, 3 p. m.,<sup>13</sup> Japanese military jurisdiction over American nationals in China. I brought up this

<sup>12</sup> Japanese Army Commander in Chief in Central China area.

<sup>13</sup> *Foreign Relations*, 1937, vol. iv, p. 426.

matter informally and as on my own initiative with the Minister for Foreign Affairs, this morning when discussing other matters. Hirota said that the Japanese military in Shanghai had been obliged to issue these regulations to protect themselves from the acts of irresponsible foreigners in Shanghai but he said that the Japanese military authorities perfectly understood the status of extraterritorial foreigners and he thought that there was not the slightest intention of applying these regulations to Americans. He did not seem disposed to give me specific assurances on this point but took the position that we would have no cause for complaint. I pointed out informally that any attempt on the part of any Japanese agencies to [assert at?] Shanghai jurisdiction over American nationals in China could not be recognized or countenanced by the United States Government.

Repeated to Shanghai.

GREW

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793.94/12026 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, January 10, 1938—4 p. m.  
[Received January 10—10:25 a. m.]

15. British and German Embassy officials arrived in Nanking yesterday morning. The military authorities have, so far, refused to permit any but Embassy or Consular officials to land, the prohibition extending to foreign military and naval officers who are not attached to an Embassy.

I have been informed that my British and German colleagues have requested their respective Embassies in Hankow to approach the Chinese Government with a view to preventing Chinese air raids upon Nanking and I have been asked to bring the matter to the attention of the American Ambassador. In addition to the small group of foreigners here, there are said to be some 200,000 Chinese refugees within the city walls, the majority of them concentrated in the so-called "safety zone". Providing the Ambassador perceives no objection, it is requested that the Chinese Government be informed of the above and requested to refrain from indiscriminate bombing of this city.

Sent to Embassy Hankow.

ALLISON

893.512/1506 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, January 11, 1938—10 a. m.

[Received January 11—8:02 a. m.]

52. Chinese understood to be the nominees of the Japanese military authorities have taken over the consolidated tax office in the International Settlement. As certain consolidated taxes are named as security for the consolidated note of the American wheat, flour and cotton credits of 1931 and 1933, I request instructions whether the Department desires that I now make any representations or reservations at Shanghai. As reported in paragraph 4 of my No. 1138, December 12, 8 p. m.,<sup>14</sup> I have already informed the Japanese Consul General orally of the American interest in consolidated taxes as security for payment of this obligation to the United States.

Repeated to Hankow and Peiping.

GAUSS

793.94/12043 : Telegram

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

HANKOW, January 11, 1938—4 p. m.

[Received January 11—9 a. m.]

25. Your January 10, 4 p. m. On January 5 I wrote to the Minister for Foreign Affairs informing him of return of Embassy personnel to Embassy, Nanking, and continued

“There is considerable American property in Nanking scattered about the city, information concerning which was communicated to you some months ago.

In view of the fact that a day or two ago Chinese airplanes carried out an air raid over Nanking dropping bombs on the water front near the railway station and other places I desire to remind you of the presence of the staff of this Embassy in Nanking, of the presence there of Americans and of American property; and to ask that you will convey this information to the military and air services of the Chinese Government with the request that due care be taken, in any military operations over or around Nanking by land or from the air, to protect these Americans and their property.”

No further action seems necessary. Copies of letter were given to colleagues here.

Sent to Nanking, repeated to Shanghai.

JOHNSON

<sup>14</sup> *Foreign Relations*, 1937, vol. III, p. 901.

893.76/62 : Telegram

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

WASHINGTON, January 11, 1938—6 p. m.

13. Your 13, January 7, 3 p. m. Although we have authorized under exceptional circumstances and subject to certain conditions the use of naval radio facilities for the transmission of press messages from American correspondents to their principals in the United States, we do not feel that it would be either appropriate or advisable to authorize use of naval radio facilities for the transmission of press messages from Hankow to Shanghai, particularly in view of the unusual situation now prevailing at Shanghai. Accordingly, you should inform the United Press representative in Hankow that you regret that you cannot comply with his request.

HULL

893.73/128 : Telegram

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

HANKOW, January 12, 1938—3 p. m.

[Received 10 p. m.]

27. Following is a synopsis of Embassy translation of note from Ministry of Foreign Affairs dated January 10 and received today:

A report has been received from the Ministry of Communications that it is informed that the British, Danish and American cable companies concerned "have acceded to demands of the Japanese authorities that copies of all press telegrams be sent for censorship and that cable charges be deposited with the Yokohama Specie Bank". The Ministry has informed the companies that the censorship procedure is detrimental to the sovereign rights of China and that telegraph charges should be paid to the Ministry as in the past in conformity with the agreements. The companies replied: "The sovereign rights of China must be respected, but under present circumstances there is no way to stop censorship by the Japanese authorities. Concerning telegram charges we have received notice from the Consuls concerned. The Japanese authorities served a notice that the telegraph charges of the company therefore could not be paid to the National Government; otherwise they would take appropriate measures. As a result of mutual discussions and in order to prevent seizure of the money by third party, it is proposed that, prior to the conclusion of the war, both parties continue to settle accounts as usual, but that the payment of the telegraph charges be temporarily stopped. It is not yet decided whether the money will be deposited with a neutral bank or the Yokohama Specie Bank, but the companies will, of course, assume

responsibility for it." The Ministry of Communications then stated: "The proposals mentioned above are contrary to the provisions of the mutual agreements and repugnant to the sovereign rights of this country" and that representatives would be sent to request the companies to reject the Japanese demands. It asked that the Diplomatic Missions concerned suitably instruct their respective cable companies. The Ministry of Foreign Affairs endorsed this by requesting that the Commercial Pacific Cable Company be promptly instructed to reach a satisfactory settlement with the Ministry of Communications and stated that it was similarly addressing the British and Danish Missions.

Sent to Department, repeated to Shanghai.

JOHNSON

393.1163/781 : Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, January 12, 1938—4 p. m.

32. Please communicate urgently the following to Nanking:

Your 9 [11], January 8, 4 p. m. Please telegraph urgently within a few hours if possible, to the Department the approximate dates on which damages mentioned in your second paragraph occurred and who was responsible for burning of buildings if this has been established. Also report whether you have authenticated facts regarding circumstances reported by American residents mentioned in your third paragraph, together with any further facts which have come to light regarding outrages by Japanese armed forces against Americans and their property.

HULL

393.115/113 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, January 13, 1938—noon.

[Received 3:51 p. m.]

21. Japanese soldiers continue to enter American property at will and remove goods and employees of American institutions without giving notice or reasons for their action, the most recent cases in some respects within the past 3 days, and I have therefore today addressed a protest to the Japanese Embassy.

I stated that American residents have informed me that they have no objection to the Japanese military authorities carrying out reasonable and orderly searches of American property nor have the Americans any desire to protect wrongdoers or interfere with the

proper military control of the population but that I must protest against this irregular, unexplained and forcible entry of American property. I further stated that, in the future, I must insist that when the Japanese military authorities desire to search American property for any reason that the Embassy be notified and given particulars as to the place to be searched and the objective. I added that I would then be glad to designate a member of the Embassy staff or a responsible American to accompany the soldiers and give them every reasonable assistance.

I concluded by saying that "it is my desire to cooperate in every possible way with the Japanese authorities but I cannot consent to American property and the homes of American citizens being entered arbitrarily nor can I agree to employees of American institutions being removed by the Japanese military without any explanation".

Sent to Embassy at Hankow, repeated to Shanghai. Shanghai please repeat to Tokyo.

ALLISON

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893.73/128 : Telegram

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

WASHINGTON, January 13, 1938—7 p. m.

18. Reference your 27, January 12, 3 p. m. The Department requests your views and recommendations in regard to the request of the Chinese Government that the Diplomatic Missions concerned instruct their respective cable companies to reach an understanding with the Chinese Ministry of Communications.

Repeated to Shanghai. Please repeat your reply to Shanghai.

HULL

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393.1163/782 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, January 14, 1938—9 a. m.

[Received January 14—6 a. m.]

22. Department's 32, January 12, 7 [4] p. m., sent via Shanghai and my January 8, 4 p. m. Methodist Mission building burned on or about December 28th, according to responsible American citizens. Boys school buildings of United Christian Mission burned between December 24th and 27th on which dates an American member of the mission visited the property 24th [*sic*]. He told me last night that the buildings were intact on December [24?]. All the above property is

located near Taiping Road and districts in the south city known to have been burned by Japanese. Also residents have stated to me that they saw no Chinese on the above property except those authorized to be there while they often saw Japanese soldiers on or near the property.

With regard to circumstances reported by American residents as mentioned in third paragraph of my January 8, 4 p. m., I have on file in the Embassy statements signed by responsible American citizens setting forth many cases where the American flag was torn down or where American and Japanese Embassy proclamations were deliberately disregarded. Six such cases occurred on property of Nanking University alone while others took place at Ginling College, the American School, and that [*sic*] at residences in addition to the incident at Texas Company installation previously reported. These Americans have expressed a willingness to make sworn affidavits should it be deemed advisable.

Further reports of outrages by Japanese armed forces against Americans and their property continue to be received almost daily. The most recent occurred on the night of January 12th when Japanese soldier climbed over the wall of Nanking University Middle School and after firing twice within a class room filled with refugees seized a girl and went out over the wall. On the afternoon of January 10th an armed Japanese soldier forced the gateman of Nanking Theological Seminary to take him to third floor of administration building where he seized a large quantity of candles. On the afternoon of January 11th Japanese military police entered residence of M. S. Bates, American professor at Nanking University, and removed a Chinese who had been Japanese interpreter at the University Middle School without asking permission or explanation. Last two incidents were used as a basis for the protest reported in my 21, January 13, noon.

Repeated to Embassy, Hankow, and Shanghai.

ALLISON

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393.115/114: Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, January 14, 1938—10 a. m.

[Received January 14—8:50 a. m.]

Central Aircraft Manufacturing Company; a China Trade Act corporation, incorporated April 14, 1934, has established a factory at Hankow and is manufacturing or assembling airplanes for Chinese Government. This factory, formerly located at Hangechow in conjunction with China military aviation training, recently moved to Hankow and now occupies premises formerly owned by Standard Vacuum Oil

Company adjoining Japanese Concession. I am informed by Standard Oil Company's local manager that this property was sold to Central Aircraft Manufacturing Company on November 20, 1937. Company flies American flag over premises in question and is understood to employ several American citizens although none are registered at this office. It is currently rumored that Chinese Government is financially interested in this, perhaps supplying operating expenses. Company is an American juridical national. Supervision is American, construction materials are of American origin. Product is for military use being war planes. Financial backing is probably Chinese Government. I apprehend that question of protection of this industry must inevitably arise should hostilities extend to this area and shall appreciate Department's telegraphic instruction.

JOSSELYN

893.73/130 : Telegram

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

HANKOW, January 15, 1938—11 a. m.

[Received 4:04 p. m.]

34. Department's 18, January 13, 7 p. m. I still adhere to the opinion expressed in my telegram No. 13 of December 3, 3 p. m.<sup>15</sup> It is my understanding that the Commercial Pacific Cable Company is connected with its office in the International Settlement by a Chinese-owned line which runs from the point where the cable lands at Woosung into the Settlement through Chinese territory. The cable company is therefore unable to control the end of the cable, as the Chinese National authorities have been compelled to leave Shanghai by *force majeure*. Under the circumstances and in the interest of maintaining cable communications between Shanghai and the United States, it seems to me that it is necessary for the company to struggle under protest if necessary, and if arrangements can be made for depositing that share of the cable tolls which by right should be paid to the Chinese Government in a suspense account to be held until the question of control over Shanghai has been settled as between Japan and China,

<sup>15</sup> Not printed; in this telegram the Ambassador expressed approval of suggestions on the subject made by the Consul General at Shanghai in his telegram No. 1059, December 1, 1937, midnight (893.73/112). These suggestions were as follows: "I believe it to be the opinion which I share that a local arrangement to carry on without prior reference to the Chinese Government must be accepted; that censorship cannot be avoided; and that in the impounding of the Chinese portion of revenues deposits should if possible be made in accounts in banks of the companies' individual selection although it is not likely this can be arranged.

I take the view that the decision must in each case be made by the company on its own responsibility, although in the light of the existing situation we might express an opinion having in mind the importance to both public and private interests of continuance of cable and radio communication."



it is the best arrangement we can expect. The company's defense would be *force majeure*.

Repeated to Shanghai and Peiping. Shanghai please repeat to Tokyo.

JOHNSON

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893.512/1506 : Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, January 15, 1938—5 p. m.

46. Your 52, January 11, 10 a. m. The Department desires that you bring emphatically to the attention of the Japanese authorities (a) our interest in the consolidated taxes, pointing out that these taxes are security for the cotton, wheat and flour credits of 1931 and 1933, which now form a consolidated obligation of the Chinese Government held by the Export-Import Bank of Washington; and (b) our insistence that the Japanese authorities take no action or countenance, in areas from which the legitimate Chinese authorities have withdrawn, action by any provisional regime which fails adequately to take into account the aforementioned obligation of the Chinese Government to the Export-Import Bank. You may add that we reserve the right to hold the Japanese authorities accountable for action disregarding of our interests in this matter.

For your information but not for communication to the Japanese, the obligation now amounts to \$13,700,000, the Chinese Government having paid the installment due December 31, 1937.

Your 52 and the foregoing instruction have been repeated to Tokyo with authorization for the Ambassador to make an approach to the Japanese Government in the matter.

HULL

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393.115/117 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, January 15, 1938—6 p. m.

[Received January 15—4 p. m.]

86. Following from Tokyo :

"January 15, 5 p. m. Our January 10, 11 [10] a. m.<sup>16</sup> The Foreign Office informed us that the War Department has today informed military authorities both at Shanghai and Nanking to refrain from irregular entry of American property.

Please repeat to Nanking, Hankow, and Department. Grew."

Repeated to Hankow and Nanking.

GAUSS

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<sup>16</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 564.

124.932/559 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, January 17, 1938—7 p. m.

18. Nanking's 19, January 12, 2 p. m., and 23, January 17, 4 p. m.,<sup>17</sup> which Shanghai was requested to repeat to you. Please approach the Foreign Office, and with reference to Fukui's<sup>18</sup> request to Allison that Allison not bring ashore radio operator at this time, state that this Government is not able to acquiesce in a compliance with this request, that this Government expects the installation and functioning of the radio operator at the American Embassy in Nanking not to be interfered with, and that this Government asks that instructions be promptly issued by the Tokyo Government to the Japanese authorities at Nanking which will put an end to further delay in the matter and insure that there will be no further interference in connection with it.

HULL

124.932/562 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, January 18, 1938—10 a. m.

[Received January 18—6 a. m.]

25. Reference my January 7, 4 p. m., and the Department's 9, January 8, 4 p. m., to Hankow quoted in the Embassy, Hankow's January 10, noon. In the course of an informal conversation a few days ago with Mr. Okazaki, Japanese Consul General at Large, I brought up the matter of the Japanese apology and compensation for violation of American Embassy property and I referred to the three proposals outlined by Okamura and reported in my January 7, 4 p. m. Mr. Okazaki, much to my surprise, expressed astonishment and said that Okamura could not have been talking officially as Okazaki knew his instructions and they did not provide for any such proposals. I stated that this was an extremely serious matter and that I had already reported to the State Department and had received instructions. Okazaki replied that under the circumstances Japan must live up to the statement of all of its officers and make the required apology and compensation. However, he thought it would be irregular for a military officer to make the apology and he suggested that the apology should be made by Acting Consul General Fukui, as representative of the Japanese Ambassador, to me as representative of the American Ambassador. [I] pointed out that in that case it

<sup>17</sup> Neither printed.<sup>18</sup> Japanese Acting Consul General at Nanking.

would be necessary for me to request further instructions and I added that I did not wish to request instructions until I was certain what the official Japanese attitude would be. Okazaki said he would ask Fukui to telegraph Ambassador Kawagoe for instructions and that he, Okazaki, in a supplementary telegram would recommend that Fukui give an apology and offer compensation. I stated I would wait until I heard officially from Mr. Fukui before I communicated with the Department of State.

Mr. Fukui, having received his instructions, called on me yesterday afternoon to discuss the matter. The following is a summary of our discussion which, in order to avoid future misunderstanding, I drew up in the form of a memorandum and obtained Mr. Fukui's signature to it as being a correct account of our conversation.

After reiterating what Okazaki said, Fukui stated that it was the desire of the Japanese authorities that he, as the representative of the Japanese Ambassador, should make the required apology. I said it would be necessary to consult the Department of State and the American Ambassador before I could say whether or not that would be satisfactory. I told him that it was the opinion of the Department that the apology should include an expression of regret for the desecration of the American flag which had taken place on several occasions and he replied that he would request instructions in that regard.

The question was then taken up of recent written assurances from the Japanese Government covering adequate compensation for damages to American property. Fukui said the Japanese wished to settle first the matter of violation of Embassy's property and compensation for damages to it and that belonging to Embassy personnel and then discuss damages to private American property. He added that the Japanese would make no investigation of claims arising out of damage to Embassy property or that belonging to staff members but would accept the statement of this Embassy as to the amount of damage done. This also applies to cars of private individuals taken from Embassy compound. Fukui said that he would give me a letter either before or at the time of the apology. The Japanese authorities would make compensation for such damage but he wished to make it a personal rather than an official letter. I told him I thought the letter should be official but would request instructions.

With regard to compensation for damages to private American property, Fukui said it would be necessary for the Japanese to make their own investigation of claims presented. He added he would telegraph his Government for permission to give me a written statement saying that the Japanese Government would make compensation for all damages to American property, excluding such damages as were the result of military operations, proved to have been caused by the

Japanese soldiers. I informed him I was not at all certain such a statement would be satisfactory but that I would report it to my Government. Instructions are therefore requested on the following points:

- (1) Will an apology for violation of Embassy property and desecration of American flags tendered by Mr. Fukui be acceptable?
- (2) Will the Department be satisfied with a personal letter to me from Fukui regarding the compensation for damages to Embassy property and that of Embassy staff?
- (3) Is the proposed written statement regarding compensation for damages to private American property satisfactory?

In view of the apparently sincere desire of the Japanese to settle quickly the matter of violation of Embassy property and their offer to make prompt payment of damages therefor, I recommend that the first two questions above be answered in the affirmative. I feel however, that the proposed statement regarding settlement of damages to private American property is unsatisfactory.

Repeated to Embassy, Hankow and Shanghai. Shanghai please repeat to Tokyo.

ALLISON

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893.73/130 : Telegram

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

WASHINGTON, January 18, 1938—6 p. m.

26. Reference your 27, January 12, 3 p. m., and 34, January 15, 11 a. m., in regard to the Chinese Government's attitude toward arrangements made at Shanghai by the cable companies with the Japanese authorities.

The Department suggests that, unless you perceive objection to such course, you ask Gauss to communicate to the Commercial Pacific Cable Company the substance of the note of January 10 from the Ministry of Foreign Affairs with only the comment that it is not your present intention to reply to the note.

HULL

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393.115/128 : Telegram

*The Commander in Chief, United States Asiatic Fleet (Yarnell), to the Chief of Naval Operations (Leahy)*<sup>19</sup>

[SHANGHAI,] January 19, 1938—2 p. m.

[Received January 19—8:40 a. m.]

0019. Today returned recent calls Major General Harada, Japanese Military Attaché, [and] Furujo, liaison officer, brought their atten-

<sup>19</sup> Copy transmitted to the Department by the Navy Department.

tion serious effects numerous incidents involving desecration American flags, destruction, looting American property had on American public opinion. Stressed points that Americans look on flag with same reverence Japanese look on Emperor and such incidents if continued might create dangerous situation which responsible authorities trying avoid. Also stated believed honor Japanese Army required action prevent future atrocities against Chinese noncombatants and that prompt punishment offenders necessary for good name Japanese Army abroad. Major General Harada replied [he] realized gravity situation, army authorities taking steps prevent recurrence incidents and punish offenders.

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393.115/132: Telegram

*The Secretary of State to the Consul General at Hankow (Josselyn)*

WASHINGTON, January 19, 1938—6 p. m.

Your January 14, 10 a. m. According to the Department's records the Central Aircraft Manufacturing Company, a China Trade Act corporation organized by three American aviation companies, entered into a contract with the Chinese Government under date December 8, 1933, under the terms of which the company agreed to build and equip a factory near Hangchow for the manufacture, assembly, and repair of airplanes, and to furnish American supervision and technical personnel; and the Chinese Government agreed to bear all expenses, other than first costs, of the maintenance and operation of the factory, and to insure against all insurable hazards including war. The contract also provided that the factory shall become vested in the Chinese Government at the end of 5 years, and contained a reservation of the right of that Government to take over the factory at any time within the 5-year period. If this or any similar contract is applicable to the factory at Hankow, it would seem that the factory should be considered as fundamentally a Chinese enterprise involving no substantial American interest which can properly claim American protection.

Copies of the contract referred to above are on file at Peiping and Nanking, detailed information in regard to which may possibly be procurable from the Embassy staff at Hankow.

HULL

393.115/130 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, January 20, 1938—5 p. m.  
 [Received January 20—8:20 a. m.]

43. Our 40, January 19, 7 p. m.<sup>20</sup>

1. The Foreign Office informed us this evening that, as one of the measures to be taken to prevent injuring rights and property of foreign powers, a military officer of high rank will be shortly sent to Nanking as a direct representative of the War Office. A few days must elapse before the name of the officer can be announced. In the meantime a liaison officer will be at once despatched from Tokyo with full authority to deal with problems which are now current.

2. The Foreign Office added that other measures of a more far reaching nature now under consideration will be disclosed to us in the near future.

Repeated to Shanghai for relay to Nanking, Peiping and Hankow.

GREW

393.1115/2694

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

[WASHINGTON,] January 20, 1938.

MR. SECRETARY: Here we have Senator Reynolds<sup>21</sup> calling loudly (page 324) for our nationals all to get out of China. *Congressional Record*, Jan. 10, 1938. Among other things, he says (page 326):<sup>21a</sup>

“Why do they not get out of there? They are imperiling and endangering the lives of 130,000,000 Americans. I do not hesitate to state to this body that, in my opinion, those 6,000 Americans who are now in China and who persist in staying there are selfish. Why are they staying there? They are staying there because they have investments; because they have money there. They are putting the almighty dollar above the lives of American marines, sailors, and soldiers. Why do not those 6,000 Americans over there come on back home?”

This brings to my mind the suggestion which I ventured a few days ago, namely, that, if we really mean business in regard to the reducing of our national risk in connection with the presence of our people in China; and if we feel warranted in emphatically calling

<sup>20</sup> Not printed; but see memorandum of January 19, by the Counselor of Embassy in Japan, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 568.

<sup>21</sup> Democrat, of North Carolina.

<sup>21a</sup> Pages here referred to are presumably to daily edition of *Congressional Record*; pages in the bound volume would be pp. 259 and 260.

upon them to sacrifice their own views, convenience, business interests, life investment, etc., in the interest of their country and their fellow countrymen to the number of 130,000,000, considerations of business-like procedure, morality, and equity would warrant there being made by the country as a whole a financial outlay toward consummating that objective. If we believe that withdrawal by our nationals from China will help toward keeping this country out of war; if we earnestly desire that our nationals withdraw; might we not most effectively express our belief and attain our objective in that connection by assuming as a public burden at least a reasonable share of the cost, to the nationals who would have to withdraw, of their withdrawal? In brief, would not a substantial legislative appropriation for the purpose of effecting further withdrawal be the best evidence that could be given of the sincerity of those who advocate withdrawal, and would it not contribute usefully toward that objective and also serve some other objectives?

S[TANLEY] K. H[ORNBECK]

893.76/71 : Telegram

*The Consul General at Tientsin (Caldwell) to the Secretary of State*

TIENTSIN, January 20, 1938—3 p. m.

[Received 11 p. m.]

16. Referring to my telegram No. 97, December 31, noon,<sup>22</sup> local representatives of Radio Corporation of America and Mackay Radio have informed me that they were considering establishment in Tientsin British Concession of sending and receiving station; that they have received provisional permit to operate from Chinese Government Communications Department through head of Chinese Government Telegraph Office here, formal permit to be delivered to their head offices in Shanghai; that they have not requested permission to operate from British Concession authorities; but that they were informed yesterday by British police that they would not be permitted to operate such station in British Concession as the Japanese Consul General objected and the British are unwilling to permit in their Concession a cause of friction with the Japanese Government, additional to those already existing. (See my telegram No. 15, January 20, 2 p. m.)<sup>22</sup> Chairman of the British Municipal Council yesterday informed [me?] that a letter had been received from the Japanese Consul General stating that he had learned that the station mentioned above was preparing to operate and making objection. The Chairman in-

<sup>22</sup> Not printed.

formed me that the British authorities would not permit the station to operate in their Concession. I told him that I was not informed concerning the present plans of the company in question and that I had no objection to the British Concession police making inquiries concerning the matter. I informed the representatives of the company concerned today that I was not prepared to approach the authorities of the British Concession in an effort to persuade them to withdraw their objection to the proposed station unless instructed by my Government to do so but that I would report the status of the matter to the Embassy and the Department.

Repeated to Embassy at Peiping and Hankow and Consulate General at Shanghai.

CALDWELL

898.115/1361

*President Roosevelt to the Secretary of State*

WASHINGTON, January 21, 1938.

Please read enclosed #27 from Allison at Nanking.<sup>23</sup> I am inclined to think that we might consider giving out this or a similar telegram in order to lay the groundwork for proof that the Japanese Government is powerless to stop these depredations by Japanese soldiers and that the Japanese army is either unwilling or unable to afford adequate protection to American property.<sup>24</sup>

This case relating to an American Mission and to Chinese women refugees on American property furnishes a good example. I am inclined to think it is the time to make clear the general situation in China and that it will help to show the distinction between the Japanese Government and the Japanese Army. Few Americans can object to our protection of Americans against an army which is out of the control of its own civilian government at home.

For further evidence, see the marked part of Grew's #39.<sup>25</sup>

F[RANKLIN] D. R[OSEVELT]

124.932/562 : Telegram

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

WASHINGTON, January 21, 1938—2 p. m.

29. Nanking's 25, January 18, 10 a. m. Subject to the Embassy's concurrence, the Department desires that Allison be instructed that

<sup>23</sup> Dated January 18, 4 p. m., *Foreign Relations*, Japan, 1931-1941, vol. I, p. 567.

<sup>24</sup> See press release issued by the Department on January 22, Department of State, *Press Releases*, January 22, 1938, p. 132.

<sup>25</sup> Dated January 19, noon, vol. III, p. 37.



the Department does not consider that the proposals of Okazaki constitute a satisfactory basis for a local settlement on Allison's points 1 and 3. The Department authorizes him, however, to accept on point 2, namely, a personal letter of assurance regarding compensation for damages to property of the Embassy and the Embassy staff.

In regard to point 1, this Government would consider acceptable as an alternative to the original proposal an expression of regrets tendered personally by the Commanding General of the Japanese forces at Shanghai to Admiral Yarnell. In case the Japanese authorities are unable to agree to either of these alternatives, the Department considers that it will be necessary to instruct the Embassy at Tokyo to request that an expression of regret be tendered either by the Japanese Minister for Foreign Affairs to our Ambassador at Tokyo or by the Japanese Ambassador in Washington to the Secretary of State.

With regard to point 3, this Government is unable to admit that the Japanese Government is relieved of responsibility for damages to American property resulting from Japanese military operations at Nanking and Allison should, therefore, point out to the Japanese authorities that assurances containing such a disclaimer are unacceptable to this Government. However, the Department would consider acceptable a statement covering affirmatively damages caused by Japanese troops but containing no express disclaimer for damages caused by military operations.

Allison should not press the Japanese authorities on point 3, although he may remind them that our willingness to consider a local settlement was responsive to the desire expressed by the Japanese authorities, as reported by Allison in his No. 8, January 7, 4 p. m., and that the conditions which we have outlined were designed to obviate diplomatic representations on specific cases occurring at Nanking.

If the Japanese authorities are unable to give satisfactory assurances on point 3 as above outlined, the Department will expect to take up through diplomatic channels claims against the Japanese Government which are submitted by the American interests concerned in accordance with the last paragraph of Department's No. 12, January 11, 4 p. m.<sup>26</sup>

Allison should report the outcome of his discussions with the Japanese authorities<sup>27</sup> in order that the Department may issue such instructions as may be necessary to the Embassy at Tokyo.

Please repeat to Tokyo.

HULL

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<sup>26</sup> Not printed.

<sup>27</sup> For Allison's report, see telegram No. 46, February 2, 4 p. m., p. 254.

893.115/134 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, January 21, 1938—4 p. m.  
[Received January 21—2:25 p. m.]

31. My 27, January 18, 3 [4] p. m.<sup>28</sup> and Tokyo's 40, January 19, 7 p. m.<sup>29</sup> I have just been called upon by Messrs. Fukui and Fukuda of the Japanese Embassy and Major Hongo of the staff of the garrison commander. They reported the receipt of a telegram from the Foreign Office which referred to portions my 27, January 18, 3 [4] p. m. and they had come to offer explanations and assurances that adequate steps were now being taken to prevent, in the future, violation of colony [*property?*].

Major Hongo explained at great length the difficulties which confronted the military in guarding foreign property and then he stated that strict orders had been given for the punishment of any soldier caught in foreign property as well as for punishment of their company officers. He stated that for the next few days transfers of various military units in this district might cause some confusion but that after the transfers had ceased he was certain complete order would be restored. He requested that I inform Washington and Tokyo of his call on me.

I thanked the gentlemen for their call and told them that I hoped I should be able to report in a few days that violation of American property had materially decreased.

Repeated to Hankow, Peiping and Shanghai. Please repeat to Tokyo.

ALLISON

893.76/73

*The Chief of the Division of Far Eastern Affairs (Hamilton) to the Vice President and General Manager of R. C. A. Communications, Inc. (W. A. Winterbottom), of New York*

WASHINGTON, January 22, 1938.

MY DEAR MR. WINTERBOTTOM: The Department has received your letters of January 17 and 18, 1938,<sup>30</sup> on the subject of the relations of your company with the Japanese military authorities at Shanghai.

We can well understand your difficulty in reaching a decision with

<sup>28</sup> *Foreign Relations, Japan, 1931-1941, vol. I, p. 567.*

<sup>29</sup> Not printed; but see memorandum of January 19, by the Counselor of Embassy in Japan, *ibid.*, p. 568.

<sup>30</sup> Neither printed.

respect to the course to be followed in the complicated situation existing at Shanghai, but we have necessarily taken the position that the interested American radio and cable companies must make their decisions upon their own responsibility. As of possible assistance to you, however, we offer the comment that, from a legal standpoint it appears that any agreements with the Japanese for the operation of the Chinese radio stations at Shanghai which do not receive official Chinese approval must be viewed simply as a *de facto* temporary arrangement, without legal basis, to meet a *de facto* situation. As Colonel Davis, of your company, has been informed, the Department's attitude in general is that it would not wish to interpose objection to temporary *de facto* arrangements which it might be necessary or advisable to work out in order to maintain communications but that there could be no implication of official American participation in the arrangements made.

We note that your Vice President in Shanghai, Mr. George F. Shecklen, is in close touch with the American Consul General there and is seeking to obtain observance by the Japanese military authorities of your agreements with the Chinese Ministry of Communications. We feel confident that Mr. Gauss will render all appropriate assistance in the matter.

Sincerely yours,

MAXWELL M. HAMILTON

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793.94/12174: Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, January 22, 1938—1 p. m.

[Received 2:40 p. m.]

125. Reference my 1219, December 23, 9 p. m.,<sup>81</sup> and my 1255, December 31, noon<sup>82</sup> regarding Wuhu incidents. Having received no further reply showing satisfactory action to locate the military unit concerned, I have again brought the matter to the attention of the Japanese Consul General asking that it be referred to his military authorities for prompt and satisfactory action.

Repeated to Hankow.

GAUSS

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<sup>81</sup> *Foreign Relations*, 1937, vol. iv, p. 409.

<sup>82</sup> *Ibid.*, p. 427.

893.76/71 : Telegram

*The Secretary of State to the Consul General at Tientsin (Caldwell)*

WASHINGTON, January 22, 1938—3 p. m.

6. Reference your 16, January 20, 3 p. m. Department approves your action in declining to ask the authorities of the British Concession to withdraw their objection to the proposed installation.

Repeat to the Embassy at Peiping and Hankow and to the Consulate General at Shanghai.

HULL

124.932/565 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, January 23, 1938—noon.

[Received 2: 15 p. m.]

34. Last night at about 8:30 p. m., three Japanese broke into one of the Embassy garages now being occupied by families of some of the Embassy police and while one of them made off with the sister of one of the policemen the other two remained behind and endeavored to prevent the Chinese from giving the alarm. However, I was informed that something was wrong and with Vice Consul Espy I went to the police and found the two Japanese there. At the time we did not know that a girl had been taken; as the two Japanese left when foreigners were sighted, no attempt was made to hold them. One of the men had on naval uniform and carried a large pistol while the other was a civilian dressed in the type of uniform usually worn by Young Men's Christian Associations in Japan. While we were preparing to go in search of the girl she returned saying that the two Japanese we had seen had caught up with her just as she was about to be placed in a car and driven away, and they had persuaded the first man to release her because she worked for foreigners. It was obvious that these Japanese did not know they were on Embassy property but this is no excuse. While fortunately this incident did not result in any serious damage to persons or property it would have done so if foreigners had not been on the spot and it is typical of what is going on in Nanking despite the assurances of the Japanese authorities that efforts are being made to prevent such occurrences. It should be pointed out that the Embassy is well within the so-called safety zone into which none but authorized Japanese soldiers are supposed to enter and that the garage which was entered is within 200 yards of a gendarme station. It is several miles from the bund district controlled by the navy, thus there is no understandable reason to think an armed

naval enlisted man should be in the vicinity. Japanese civilians have been observed occasionally on the streets but this is the first time I have heard of one being engaged in illegal activities. However, it is perhaps significant that certain Japanese civilians are allowed to come to Nanking allegedly because needed by the army as laborers or small shopkeepers, while the military authorities have just refused the request of the University of Nanking Hospital to bring to this city two American doctors, who are urgently needed, on the ground that it is not yet safe for civilians to be here.

I called this morning on Mr. Fukui and made strong oral protest about the matter and told him I intended to report the matter at once to Washington, to Tokyo. Fukui pleaded with me not to report the matter for a few days because he was afraid it would aggravate American-Japanese relations. He again referred to the special measures being taken by the military authorities to prevent such incidents (see my 31, January 21, 4 p. m.), and assured me that if I would but wait a few days I would see a great improvement in the situation. I told Fukui it would be necessary to report the matter but I was willing that it be given no publicity for the time being. It is therefore requested that this case not be made public until a few days have elapsed and it can be seen whether or not the special measures referred to above are really effective. Prompt report will be made of any noticeable change for the better.

Repeated to Embassy [at] Hankow, Peiping and Shanghai. Shanghai please repeat to Tokyo.

ALLISON

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124.932/568 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, January 25, 1938—4 p. m.

[Received January 26—6:45 a. m.]

37. My 34, January 23, noon. Captain Nakahara, Naval Attaché to the Japanese Embassy, called on me this afternoon to express regrets for the unlawful entrance of an Embassy garage by a member of the navy. He said a thorough investigation was being made and that strict rule had been issued prohibiting naval personnel from coming within the walls of the city any more on official business or on regularly conducted tours. From a description of the uniform worn by the man seen by me, Captain Nakahara was able to determine that he was probably a member of the Navy Labor Corps and not a regular sailor. Assurances were given that there would be no further incidents involving the navy. It should be pointed out that there have

been but few complaints of the actions of the Japanese Navy in Nanking and in those sections of the city along the river front under navy control; conditions are much better than elsewhere.

Repeated to Embassy [at] Hankow, Peiping and Shanghai. Shanghai please repeat to Tokyo.

ALLISON

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393.115/140 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, January 26, 1938—3 p. m.

[Received 8:10 p. m.]

142. My No. 43, January 8, 5 p. m. concerning looting of American property at Soochow and Hangchow.

1. Soochow: Detailed reports just received from American missionaries who visited Soochow a number of times between November 21 and December 21 indicate (a) that on November 21, after Japanese occupied the city, Americans called at Japanese military headquarters. They also inspected property of Baptist Mission which was found to be intact. (b) On November 24 they found Baptist Mission property had been broken into and thoroughly looted and observed Japanese soldiers looting the ladies' home and school buildings. On the same day inspected American Presbyterian Mission Hospital, saw one building burning and found the administration building had been looted. Inspected Methodist Episcopal Mission hospital, found lower food supplies of doctors' residence had been looted and Japanese soldiers engaged in looting upper food supplies. (c) On November 26 Americans called on Japanese General commanding Soochow and left detailed list of American property. Inspected property of American Church Mission in company with Japanese officers detailed by military headquarters, found American flag still flying over buildings but ladies' residence had been thoroughly looted. Saw three Japanese soldiers on the premises engaged in looting. Inspected Soochow Academy property and found principal's and treasurer's offices thoroughly looted, all safes and filing cabinets having been broken open. Found also that one foreign residence had been thoroughly looted and that the church had been broken into and vestments looted or strewn about in great disorder. (d) On December 1 found Japanese soldiers in treasurer's office in the Yates Academy (American Baptist Mission property) who were trying to break open safe. On visiting treasurer's office next day they found safe had been broken open. They also saw soldiers loading loot from Baptist residences and school buildings. (e) On subsequent visits Americans found that further looting of American properties had occurred. (f) A group

of missionaries who visited Soochow on January 15 and who were escorted on a tour of Methodist Mission property by Japanese military and consular officials found all buildings with one or two exceptions occupied by Japanese troops.

2. Hangchow: Reports from missionaries at Hangchow indicate that (a) on December 24 proclamations were obtained from the Japanese who entered the city that day and were posted on the majority of American properties. (b) December 26 Japanese soldiers entered three American residences which were flying American flags and on which American consular proclamations and notices issued by Japanese military police had been posted, stole money, jewelry, and other articles. (c) December 27 Japanese soldiers again entered the same residences and pilfered.

Copies of reports received from American missionaries regarding looting of American properties at Soochow and Hangchow being forwarded by mail.<sup>33</sup>

Repeated to Hankow and Tokyo.

GAUSS

393.115/169

*President Roosevelt to the Secretary of State*<sup>34</sup>

WASHINGTON, January 28, 1938.

The January 26th dispatch from Gauss, No. 142,<sup>35</sup> and similar dispatches relating to looting of American-owned property in China is bringing to a head the question of indemnities for lost property.

Under no circumstances can the major part of the looting be called a necessary result of armed conflict. The buildings were not destroyed by usual fire, by bombs, nor were the buildings or property to which I refer destroyed or damaged as a necessary part of military operations either offensive or defensive.

If you have not already begun to do so, I think we should start to lay the foundation for holding Japan accountable in dollars for the acts of her soldiers. Perhaps we should not suggest it until after our case has been firmly established but it is a fact that there is a vast amount of Japanese owned property in the United States and that we have excellent precedent in the Alien Property Custodian Act<sup>36</sup> for holding this property in escrow. Enough said!

F[RANKLIN] D. R[OOSEVELT]

<sup>33</sup> Not printed.

<sup>34</sup> Notation on the original by the Secretary instructed the Legal Adviser, Hackworth, to consult the Division of Far Eastern Affairs "and act."

<sup>35</sup> *Supra*.

<sup>36</sup> "Trading with the Enemy Act," approved October 6, 1917; 40 Stat. 411.

393.1115/2703 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, January 28, 1938—11 a. m.

[Received January 29—7:55 a. m.]

157. Reference Hankow's January 27, 5 p. m.,<sup>37</sup> Japanese military and naval authorities here have been requested to issue instructions to safeguard American citizens proceeding from Hankow to Canton and Hong Kong on February 5.

Sent to American Consul, Hankow.

Repeated to Tokyo.

GAUSS

893.76/75 : Telegram

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

HANKOW, January 30, 1938—11 a. m.

[Received January 30—5:10 a. m.]

78. Following is the Embassy's translation of a communication from Ministry of Foreign Affairs dated January 29.

"The Ministry of Foreign Affairs has received a report that the radio station at Manila of the Mackay Radio and Telegraph Company, an American firm, has been exchanging messages with the radio station illegally set up by the Japanese at Shanghai. Diplomatic agent would observe that the reported action of the radio station in question, if it has in fact taken place, cannot but prejudice the traditional friendship that exists between our two countries. The Ministry has the honor to request, therefore, that the American Embassy will with all speed issue instructions that the action described above shall cease. A reply would be appreciated. Seal of the Ministry of Foreign Affairs."

JOHNSON

393.115/147 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, January 31, 1938—5 p. m.

[Received January 31—7:38 a. m.]

60. My 53, January 26, 5 p. m.<sup>37</sup>

1. The Military Attaché<sup>38</sup> was confidentially informed today at the War Office that General Homma had proceeded to China as a representative of Imperial Headquarters and carried instructions from

<sup>37</sup> Not printed.

<sup>38</sup> Maj. Harry I. T. Creswell.



Imperial Headquarters to General Matsui with regard to the prevention of acts violative of foreign rights and interests.

2. According to the War Office, one of the measures being devised to assure against violations of foreign rights and interests is the stationing of officers of field rank at various points in China where there are concentrations of Japanese troops. Lieutenant Colonel Hirota, who is to be one of these officers, is to proceed to Nanking where he will be stationed under General Matsui.

Repeated to Shanghai for repetition to Nanking and Hankow.

GREW

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123 Allison, John M./178 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, February 1, 1938—4 p. m.

[Received February 1—6:55 a. m.]

64. Department's 32, January 31, 1 [3] p. m.,<sup>40</sup> Allison incident.<sup>41</sup>

1. In view of inaccurate and misleading information occasionally given out to the press by the spokesman of the Foreign Office, it seems desirable to record that in my interview with the Vice Minister for Foreign Affairs this morning I confined myself to the simple formal statement that "my Government accepts the Japanese reply" and told him of the press release in Washington. An informal word of my personal satisfaction at the prompt steps taken by the Japanese Government to settle the case was also expressed.

2. The Vice Minister took the occasion to express regret that the spokesman of the Foreign Office "through a misunderstanding" had yesterday announced to the press that I had immediately accepted the reply and called the incident closed on Sunday night. The Vice Minister said he was aware that I had not given official acceptance until consulting Washington.

3. The Vice Minister on behalf of the Minister for Foreign Affairs this morning expressed to me "gratitude" at the action of the American Government in accepting the Japanese reply.

Repeated to Shanghai for Nanking and Hankow.

GREW

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<sup>40</sup> Not printed.

<sup>41</sup> For press releases concerning this incident, issued by the Department on January 28 and 31, see *Foreign Relations, Japan, 1931-1941*, vol. I, pp. 570 and 574.

393.115/148 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, February 2, 1938—2 p. m.  
[Received February 2—10:05 a. m.]

45. Tokyo's 53, January 26, 5 p. m.<sup>42</sup> A dinner was given at the Japanese Embassy last night to give an opportunity to the foreign diplomatic representatives to meet Major General Homma, as well as the new garrison commander [at] Nanking, Major General Amaya, who was formerly commander of the First Infantry Division. Mr. Hidaka, Counselor of the Japanese Embassy, had also flown up from Shanghai for the occasion.

General Homma's first words to me were an expression of deep regret for the recent unfortunate incident.<sup>43</sup> I assured the General that, now that my Government had the Japanese reply to its [representations?] at Tokyo, my only desire was to forget the affair as soon as possible.

General Homma dwelt at some length on the war psychology of the Japanese troops which he claimed had been at the root of much of the trouble in Nanking. He stated his sole purpose in coming here was to impress on the local troops that foreign property must be respected. He asked us not to be impatient if isolated incidents continued to take place because he claimed it was exceedingly difficult to make sure that orders issued by the High Command were carried out at once by the private soldiers. Lieutenant [Colonel?] Hirota will come to Nanking in a few days, according to General Homma, and we were urged to take any complaints directly to him and thus settle all questions locally without appealing to Tokyo.

General Homma appeared to be more interested in explaining the Japanese position than in listening to what the foreign representatives might have to say. He is returning to Shanghai this afternoon by plane without having further contact with any of the foreigners, as far as is known. However, Mr. Hidaka is remaining several days and he tells me that in the future he will make periodic trips to Nanking. It is believed that with a person of his rank coming here from time to time it will be possible in the future to obtain more assistance from the Japanese Embassy than has been forthcoming in the past.

Sent to Embassy [at] Hankow. Repeated to Peiping and Shanghai. Shanghai please repeat to Tokyo.

ALLISON

<sup>42</sup> Not printed.<sup>43</sup> A reference to the incident involving Secretary of Embassy Allison; see footnote 41, p. 252.

124.932/569 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, February 2, 1938—4 p. m.

[Received February 2—9:45 a. m.]

46. Embassy's February 1, noon,<sup>44</sup> and January 24, 4 p. m.<sup>45</sup> Due to press of business Mr. Fukui was unable to see me to discuss the Department's instructions until just recently. With regard to point 1 he stated it would be necessary to consult higher authorities before stating what the Japanese Government would do. He asked me why the State Department did not wish to have the apology made through the local diplomatic channels and insisted upon it being made by a military officer. I replied that I had no information on that point.

In regard to point 3, Mr. Fukui again stated that the Japanese Government could not be responsible for damages resulting from military operations and said that if this was insisted upon it would be necessary to handle the claims in Tokyo. He suggested that the matter of violation of Embassy property be settled first and that we then discuss the settlement of private claims. I told him that if the first matter could be settled promptly, I saw no objection to this procedure. Mr. Fukui promised to call upon me shortly and give the Japanese answer to the Department's demands, but he has not yet done so. I intend to see him this evening and ask when I may expect his reply.

Sent to Embassy, Hankow, repeated to Peiping and Shanghai. Shanghai please repeat to Tokyo.

ALLISON

393.115/150 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, February 2, 1938—5 p. m.

33. With reference to Shanghai's 142 of January 26, 3 p. m., reporting looting of American property at Soochow and Hangchow, the Department transmits for your information the following telegram received from W. G. Cram, General Secretary, Board of Missions, M. E. Church South:

"Bishop Arthur J. Moore, in charge of Missions of Methodist Episcopal Church South in China, cables from Shanghai that he has visited Soochow where we have large holdings including Soochow

<sup>44</sup> Not found in Department files.

<sup>45</sup> Not printed; see Department's telegram No. 29, January 21, 2 p. m., to the Ambassador in China, p. 243.

University and Laura Haygood School for Girls. He reports all buildings looted, four buildings bombed, Japanese occupying others, using new chapel of Laura Haygood as horse stable. He has protested to American Consul Shanghai and advises we make representation to you. I respectfully request you take such action as you deem advisable and effective."

These two telegrams are merely illustrative of the numerous complaints that are being received by the Department of the utter disregard shown by Japanese armed forces for American property in China.

Department desires that you address a formal note to the Foreign Office as under instructions from your Government calling attention to these numerous depredations as illustrated by these and other reports which have been sent to you and stating that your Government finds it impossible to reconcile these lawless acts directed against American missionary properties with the assurances repeatedly given by the Japanese Government that American rights and interests in China will be fully respected by the armed forces of the Japanese Government; that it appears that these incidents have occurred with the knowledge and some indeed in the presence of Japanese officials while others such as the occupancy of mission properties by Japanese troops were presumably by the express direction of military officers; that arbitrary entry and occupation, together with pilfering, looting and wanton destruction of property, can in no sense be regarded as acts of a character to be expected from a properly controlled military organization; that your Government assumes that the Japanese Government in nowise approves or condones such lawlessness and expects assurances from the Japanese Government (1) that it will take immediate and specific steps to put an end to the depredating of American properties and (2) that it will make full and complete indemnification for all losses and damages inflicted.<sup>46</sup>

HULL

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393.115/170

*The Secretary of State to President Roosevelt*

[WASHINGTON,] February 3, 1938.

I think that we now have a very good foundation for holding Japan accountable in dollars for the acts of her military organizations in China. While we do not have sufficiently accurate information in very many cases to enable us to present separate claims at this time, the groundwork has been laid and we have been able in a few instances to obtain admissions of liability from Japan, and in one case payment locally of a small claim has actually been made.

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<sup>46</sup> For Ambassador Grew's representations and note of February 4, see *Foreign Relations, Japan, 1931-1941*, vol. 1, pp. 577 and 578.

On August 26, 1937 we instructed the Embassy at Tokyo to present a note to the Minister of Foreign Affairs stating that this Government reserved all rights in respect of damages to or loss of American property or on account of death or injuries sustained by American nationals as a result of the activities of Japanese armed forces in China.<sup>47</sup>

The Foreign Office replied on August 31,<sup>48</sup> stating in effect that the Japanese Government was solicitous of the safety of lives and property of Japanese and other nationals in China and had spared no effort to prevent the then present incident from assuming large proportions; that the military operations of Japanese forces were confined to measures of defense against illegal provocative attacks on the part of China and that in those circumstances the Japanese Government was not liable for damages or losses sustained by nationals of other countries.

In order to avoid possible assumption by the Japanese Government that this Government acquiesced in this disclaimer of liability, we instructed the Embassy on September 14<sup>49</sup> to send another note to the Foreign Office stating that this Government could not accept this position of the Japanese Government and that we would be under the necessity of looking to that Government for compensation to the extent that liability exists under international law.

The Japanese Government did not formally reply to this last mentioned note but an official of the Foreign Office orally stated to a member of the Embassy that the views previously expressed by the Foreign Office had not been altered.

We make strong representations to the Japanese Government in all cases of depredations upon American life or property as rapidly as the incidents are brought to our attention. In practically all cases the Japanese Government disclaims any intention of injuring American life or property, and in a number of instances they have indicated willingness to make reparation. In one case, namely that of the American Board Mission at T'ungchow, a local settlement satisfactory to the Mission was made for damage caused by the dropping of bombs by Japanese planes.

I have just sent an instruction to Tokyo<sup>50</sup> regarding telegram No. 142 of January 26 concerning the mission properties at Soochow and Hangchow, to which you refer, and have directed the Ambassador to make strong representations to the Foreign Office and to request assur-

<sup>47</sup> For note of August 27, 1937, from the Ambassador in Japan to the Japanese Minister for Foreign Affairs, see *Foreign Relations, Japan, 1931-1941*, vol. I, p. 490.

<sup>48</sup> *Ibid.*, p. 492.

<sup>49</sup> *Ibid.*, p. 497.

<sup>50</sup> Department's telegram No. 33, February 2, 5 p. m., *supra*.

ances that immediate and specific steps will be taken to put an end to these depredations and that full and complete indemnification will be made.

I appreciate that there is a vast amount of Japanese property in the United States and that there is precedent for sequestration of property under certain circumstances; also that we have the Trading with the Enemy Act, making provision for an alien property custodian, as a precedent. That Act, however, as you know, applied only to property of people denominated as "enemies" within the meaning of the Act. It really is a precedent only for a situation where the United States is a belligerent.

[File copy not signed]

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393.115/151 : Telegram

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

HANKOW, February 3, 1938—3 p. m.

[Received 8:45 p. m.]

77. Peiping's 81, February 2, 7 p. m.<sup>51</sup> Area involved covers a considerable amount of territory wherein are located a large number of American mission stations. It is believed that in most cases steps have been taken by missionaries in residence suitably to mark their property with flags. Consulate at Hankow on January 27 sent following circular to mission stations bordering Honan :

"This Consulate General wishes to renew advice given by it several months ago that in view of the possible spread of hostilities Americans are urged to leave areas which might become dangerous and if necessary to withdraw from the country. In view of the likelihood of hostilities or disorder in Honan Province in the near future you are now earnestly urged to consider whether you should withdraw from that province while communications are still possible. It is requested that you inform all other Americans at your station. With a view of having on file at this office as complete information as possible regarding the location of American property in areas of possible future military operations it is suggested that if you so desire your mission station prepare and forward to this office in duplicate a map of the city and the location of the property of your mission. In some cases it may be possible to procure and forward printed maps of the city or locality on which can be marked the location of the mission property. If not, sketch maps drawn as nearly as possible to scale map may be used."

This circular will also be sent to mission stations in Anhwei, Hupeh and Shansi known to Consulate but it is not at all certain that these messages can reach stations concerned, nor is it probable that

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<sup>51</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 576.

Consulate or Embassy will be in a position to communicate to Japanese military at Peiping the detailed information desired.<sup>52</sup>

Sent to Peiping. Copy to Consulate at Hankow.

JOHNSON

124.932/569 : Telegram

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

WASHINGTON, February 4, 1938—4 p. m.

51. Nanking's 46, February 2, 4 p. m., and Department's 29, January 21, 2 p. m. Unless the Japanese authorities at Nanking are prepared to act promptly in the matter of an expression of regret on the basis outlined in the Department's telegram under reference, the Department will feel obliged in view of the delay that has already occurred to take up this point through diplomatic channels at Tokyo.

The Department approves of Allison's statement to Fukui that no objection is perceived to the settlement of the violation of Embassy property before proceeding to the discussion of the settlement of private claims.

With regard to private claims, the Department is prepared, as indicated in the third and fourth paragraphs of the Department's telegram under reference, to have Allison discuss a local settlement of such cases as the Japanese officials at Nanking have been duly authorized to settle. It is, therefore, not clear why the question of a disclaimer of responsibility for damages resulting from military operations such as the Japanese authorities propose to make should be brought into the discussion. Should they further insist upon including such a disclaimer of responsibility in the proposed written statement mentioned in Nanking's 25, January 18, 10 a. m., Allison's acknowledgment should contain a statement to the effect that as this Government reserves all rights in respect to such damages, this Government will regard the Japanese statement as not prejudicing this Government's right to take up through diplomatic channels claims arising out of military operations.

Please instruct Allison accordingly.

HULL

893.48/1445 : Telegram

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

HANKOW, February 7, 1938—2 p. m.

[Received February 8—3:20 a. m.]

89. Reference Nanking's 49, February 6, 5 p. m.<sup>53</sup> I feel that outline of statement made by General Amaya should be brought to the

<sup>52</sup> For the Department's reply, see telegram No. 53, February 4, 8 p. m., *Foreign Relations, Japan, 1931-1941*, vol. I, p. 579.

<sup>53</sup> Vol. III, p. 72.

attention of the Government at Tokyo in view of the fact that it constitutes a direct threat to American citizens in Nanking by the garrison commander responsible for their protection. Situation at Nanking in regard to safety zone is not of foreigners' choosing. Work of committee obviously should have ceased on day Japanese troops entered city and hostilities ceased. But it is believed Japanese [*it has been*] equally object to [*equally obvious*] that situation in Nanking created by Japanese troops [has?] so terrorized population that it has been afraid to leave zone policed and fed by foreigners. American members of committee, notably George Fitch and Mr. Bates, have written and sent out to Nanking detailed accounts of their experiences during the reign of terror in Nanking. In so far as these accounts have been factual statements these men should not be threatened by the Japanese because of a situation created by themselves.

Sent to Peiping, Nanking and Shanghai. Shanghai please repeat to Tokyo.

JOHNSON

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393.115/164 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, February 7, 1938—7 p. m.

46. Your 75, February 5 [4], noon.<sup>54</sup> The Department approves of the supplementary oral representations made by you.

The Department is asking the Embassy at Hankow to endeavor to furnish you with the specific data mentioned in the last paragraph of your telegram under reference.

The Department considers it important that there should be kept in mind the distinction between representations of a general character, such as those to which your telegram under reference relates, and which seek objectives of broad principle covering the two points enumerated in the Department's 33 of February 2, 5 p. m., and representations looking to the concrete settlement of specific cases. As some of the evidence which you may have occasion to present to the Foreign Office in support of your general representations may also be concerned with cases for which a local settlement is being sought or with cases the presentation of which to the Japanese Government for settlement must await detailed investigation and examination, it is believed that you should make this point clear to the Foreign Office in order to avoid possible misunderstanding.

HULL

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<sup>54</sup> Not printed; but see memorandum by the Ambassador in Japan, February 4, 1938, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 577.



124.932/572 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, February 7, 1938—8 p. m.

[Received February 7—2:40 p. m.]

51. My 50, February 7, 1 p. m.,<sup>55</sup> and the Department's 51, February 4, 4 p. m. Mr. Fukui called upon me this evening and stated he had just received instructions from his Government to make a counter-proposal regarding the expression of regrets for violation of Embassy's property to that outlined in the Department's 29, January 21, 2 p. m. The Japanese Government now suggests that the expression of regrets be made to the appropriate American Consul General in Shanghai by Major General Harada, Military Attaché to the Japanese Embassy in Shanghai and Chief of the Special Service Department of the Expeditionary Force. Mr. Fukui pointed out that the Special Service Department handles all external matters affecting the army and that the other officers of the army are engaged in active military operations and therefore not available for making such apologies. I told Mr. Fukui I was not certain this would be satisfactory but that I would request immediate instructions. Mr. Fukui went on to say that if I would then give him a memorandum concerning damage to Embassy's property and that of Embassy's personnel he would give me a personal letter stating that full compensation would be made. He added that he believed arrangements could be made to make prompt payment through the American Consul General, Shanghai, because of the lack of banking facilities in Nanking. I asked whether he meant to imply payment Embassy compensation was contingent upon my Government accepting the proposal that General Harada should make the apology and he replied he did not believe so but that he would telegraph at once to make certain.

A Russian motor mechanic has examined the three automobiles taken by the Japanese and later returned and has stated that the damage which could be traced to the Japanese is negligible. As the Japanese Embassy had presented this office with 160 gallons of gasoline it is not believed necessary to request further compensation for the use of these machines.

With regard to compensation for damages to private American property Mr. Fukui said he would call upon me tomorrow.

Sent to Embassy, Hankow, repeated to Peiping and Shanghai. Shanghai please repeat to Tokyo.

ALLISON

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<sup>55</sup> Not printed.

124.932/575 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, February 8, 1938—noon.

[Received 1:45 p. m.]

52. My 51, February 7, 8 p. m., and the Department's 51, February 4, 4 p. m. With regard to private claims the Department's position, as outlined in the telegram under reference, was carefully explained to Mr. Fukui but he insisted upon including in any note he might write the following statement: "The Japanese will not assume responsibility for damages resulting from military operations." I have informed him that in such a case I should have to make an express reservation of all rights in respect to such damages. It is believed, as a matter of fact, that damages to American property in Nanking caused by military operations are comparatively slight as most of the damage occurred after the occupation of the city by the Japanese.

The Japanese authorities insist upon making investigations into each case as it is presented with a view to establishing whether the damage was actually caused by Japanese troops or by Chinese looters and plain-clothes soldiers who, according to the Japanese, were responsible for much of the disorder in the city. It is feared that considerable delay may take place in the settlement of these claims inasmuch as in many cases it will be impossible to prove absolutely who the guilty party was. I therefore suggest that in the presentation of claims for damages known to have taken place after the fall of Nanking I be instructed to take the following stand: inasmuch as a number of American citizens, who were in Nanking at the time of its occupation, investigated the condition of much of the American property in the city, it is possible to know definitely whether such property was in good condition on and after the Japanese occupation. It is believed that responsibility for law and order in Nanking after its fall rests with the Japanese authorities who were in occupation and that claims for such damages as can be proved to have taken place on or after December 13, 1937, the date of the occupation, should be paid by the Japanese with a minimum of delay. Such damages as may have been caused by military operations can then be taken up through diplomatic channels in Tokyo, while the smaller claims, mostly for damages to property of individuals, can be settled locally in Nanking. Instruction on this point is requested.

Sent to Embassy, Hankow, repeated to Peiping and Shanghai. Shanghai please repeat to Tokyo.

ALLISON

493.11/2096: Telegram

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

HANKOW, February 9, 1938—3 p. m.  
 [Received February 9—2:05 p. m.]

97. Following from Hong Kong.

"February 2, 2 p. m. Numerous refugees desire to make claim for personal losses sustained in China. Please advise as to form in which claim should be made; also whether any fee should be collected."

In view of lack of any details which might suggest some method of settling these claims informally as is contemplated at Nanking, I see no alternative to the use of the prescribed form of "application for the support of claims against foreign governments" but I would appreciate the Department's comments.

JOHNSON

124.932/574: Telegram

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

WASHINGTON, February 9, 1938—7 p. m.

61. Nanking's 51, February 7, 8 p. m., and your 94, February 8, 1 p. m.<sup>56</sup>

1. Department feels that, in the light of all factors in the situation known to it, the proposal that regrets be expressed by Major General Harada to the American Consul General at Shanghai should be accepted. The Department assumes, of course, that expression of regret will cover expressly both the violation of Embassy property and the desecration of the American flag and will carry some form of assurance against repetition.

2. Department approves of no further compensation being asked for the three automobiles taken by the Japanese and later returned to the Embassy. With respect to the cars belonging to Jenkins, Aldridge and Lafoon mentioned in your 16, January 8, 1 p. m., Department assumes Nanking is being guided by the Department's 12, January 11, 4 p. m.<sup>57</sup>

3. The Department assumes that a settlement in regard to Embassy property and property of Embassy personnel will include compensation for damages to Jenkins' property mentioned in your 38, January 18, 6 p. m.<sup>58</sup> Nanking should report the outcome of action taken in pursuance of Department's 31, January 22, 2 p. m.<sup>58</sup>

Please instruct Nanking and Shanghai accordingly.

HULL

<sup>56</sup> Latter not printed.

<sup>57</sup> Neither printed; these telegrams concerned the value of the cars, the Department authorizing acceptance of replacement by new cars if the Japanese desired that rather than cash payment (124.932/554).

<sup>58</sup> Not printed.

793.94/12395 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, February 11, 1938—noon.

[Received February 11—10:30 a. m.]

239. Referring to my 125, January 22, 1 p. m. concerning Wuhu incidents. Japanese Consul General has now handed me a letter with attached memorandum covering investigations made by consular and military authorities from which it appears that as to the flag incident they have been unable to find Japanese soldiers involved in the case. The memorandum shows that during a recent visit of doctor to Shanghai he told a Japanese consular officer that he did not personally witness the incident and that when he hurriedly arrived on the scene he failed to see any Japanese soldier in the neighborhood. As to the incidents involving American property, the letter states "the Japanese authorities have also exhausted every possible means of investigation in regard to these cases but they have so far been unable to find out the soldiers responsible for the incidents. I feel constrained however to express to you my profound regret over the prima facie involvement of Japanese soldiers in such incidents and to state at the same time that the Japanese authorities are ready to consider the payment of reasonable compensation for damages caused to such American property in Wuhu upon receipt of full details from the sufferers concerned."

Repeated to Hankow.

GAUSS

124.932/578 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, February 12, 1938—11 a. m.

[Received February 12—7:20 a. m.]

54. Embassy's February 10, 5 p. m., quoting the Department's 62 [61], February 9, 7 p. m. I have this morning handed to Mr. Fukui a memorandum concerning the losses suffered by the Embassy and Embassy personnel. The Japanese have not insisted upon replacement of motor cars taken from the Embassy compound but have said this [*they?*] would make cash payments for all such cars. Mr. Fukui stated he would hand me a letter within a few days saying that arrangements were being made to have the Japanese Consul General in Shanghai hand to the American Consul General there the amounts requested. The claim presented to the Japanese totals United States dollars 6,796 plus Chinese dollars 10,118. This includes United States dollars 3,300 compensation for damage to Jenkins' property.

With regard to a solatium for family of Jenkins' servant, Mr. Fukui has expressed some reluctance to make the requested payment unless it could be absolutely proved that the servant had been killed by Japanese soldiers. I pointed out that the prompt payment of a solatium would create a favorable impression abroad and after some discussion Mr. Fukui promised to discuss the matter further with the military.

Mr. Fukui was asked when he expected the expression of regrets and the payment would be made and he replied that as he wished to leave for Shanghai about February 15 he hoped everything would be settled before that date.

Sent to Embassy, Hankow. Repeated to Peiping and Shanghai. Shanghai please repeat to Tokyo.

ALLISON

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393.115/174 : Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, February 12, 1938—1 p. m.

132. Your 142, January 26, 3 p. m. It is suggested that you inform the representatives of the interested missionary societies of Japanese assurances regarding indemnification as reported in paragraph 3 of Tokyo's 75, February 4, noon,<sup>59</sup> and urge that they promptly prepare in triplicate itemized sworn statements covering the losses and damages sustained by the respective missions as a result of looting or depredations by Japanese soldiers and that they also submit supporting evidence as to the actual value of property taken or destroyed. It is extremely important that their allegations of looting and depredations by soldiers be supported by best obtainable evidence such as affidavits executed by persons who actually observed such acts by soldiers and setting forth all pertinent information on this point. In cases in which Japanese officials accompanying affiants observed such acts, a statement to that effect should be included in the affidavits together with information regarding the names and rank of the officials.

As each completed claim is filed with Consulate, forward to Department and send copy to Tokyo and advise latter that appropriate instructions will be sent upon receipt of claim by Department.

The procedure indicated above would also be applicable in cases similar to the ones mentioned in your telegram under reference.

Repeat to Hankow as No. 67 and Tokyo as No. 55.

HULL

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<sup>59</sup> Not printed; but see memorandum of February 4, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 577.

893.115/175 : Telegram

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

WASHINGTON, February 12, 1938—2 p. m.

68. Nanking's 52, February 8, noon. The Department suggests, unless objection is perceived thereto, that Allison, upon receipt from the Japanese authorities of the proposed written statement regarding compensation for damages to private American property mentioned in the antipenultimate paragraph of Nanking's 25, January 18, 10 a. m., present to them only such claims as are included within the categories which the Japanese authorities have indicated that they are prepared to settle locally. Allison should make no effort to press the Japanese authorities to settle claims other than those which they voluntarily offered to settle, as the Department will expect to take up in due course the question of the presentation of the remaining claims to the Japanese Government for diplomatic settlement.

With regard to claims which are to be taken up locally, it is suggested that Allison advise claimants to obtain from Americans who have inspected American property in the city affidavits setting forth full information regarding the particular properties inspected and their condition at the time of inspection and that such affidavits be submitted to the Japanese in support of claims predicated upon damages subsequently sustained by such inspected properties. Allison should obtain from Americans whose claims have been locally settled copies for the files of the Embassy and the Department of receipts which they furnish to the Japanese authorities as evidence of settlement.

With regard to the preparation of claims for diplomatic settlement, the Department expects shortly to issue detailed instructions.

HULL

124.932/579 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, February 14, 1938—8 p. m.

[Received February 14—1:05 p. m.]

257. Reference Department's 61, February 9, 7 p. m., to Hankow. Consul General Okazaki called on me this afternoon and said that General Harada is prepared to express regret for the violation of the Embassy property and to give assurances that there will be no repetition but he is unable to express regret for the desecration of the American flag until it has been proven that Japanese soldiers committed such desecration. He is prepared to express regret provisionally, that is, he would say that he would deeply regret the desecra-

tion of the American flag if upon investigation it is found to have occurred. Okazaki said that Allison had communicated to Fukui several instances of alleged desecration of the flag but he has not even given the names of witnesses, simply stating than an American has reported or a Chinese has reported the case. He said that investigations will delay matters for about a month as troops formerly in Nanking are now scattered.

2. I told Okazaki that I was instructed to receive an expression of regret from General Harada which should include regret for the desecration of the flag and under the circumstances I would be under the necessity of referring [again?] for instructions.

Repeated to Hankow and Nanking.

GAUSS

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811.015394/33 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, February 15, 1938—noon.

[Received February 15—5: 15 a. m.]

57. Shanghai's 257, February 14, 8 p. m. Instances of desecration of American flags given to Fukui were taken from copies of letters which had been sent to the Japanese Embassy by American citizens before the return of American officials. The first letter was sent on December 16, 1937, additional were sent at various times during the last weeks of December. As far as is known, the Japanese Embassy never acknowledged the receipt of any of these letters, nor was any effort made to investigate these matters at the time they were reported which could have been done with ease. When I handed the list to Fukui I asked him if it was all right or if he desired more information and he said it was sufficient. In view of the fact that the Japanese authorities have had written notice of these desecrations to the American flag for almost 2 months, I do not see how further delay for investigation can be allowed.

Sent to Embassy, Hankow. Repeated to Shanghai.

ALLISON

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811.015394/35 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, February 15, 1938—3 p. m.

[Received February 15—2: 40 p. m.]

58. My 57, February 15, noon, and Shanghai's 257, February 14, 8 p. m. Mr. Fukui called just after my number 57 had been sent and

made a similar statement regarding the desired form of expressing regret for the desecration of American flags as Mr. Okazaki made to Mr. Gauss. He said he wished me to report to my Government that the Japanese authorities had a sincere desire to bring about a speedy settlement of the matter but that I must understand that it was necessary for the military to make investigations into the truth of the charges. Because of this sincere desire for a speedy and local settlement the form of regret as outlined by Mr. Okazaki had been evolved and he hoped it would prove satisfactory to the American Government.

I told Mr. Fukui that I could understand the wish of the military authorities to make an investigation but I could not understand why such an investigation had not been undertaken when the first reports of desecration had been submitted to the Japanese Embassy by local American residents. Mr. Fukui gave no adequate explanation as to why this had not been done.

Sent to Embassy, Hankow. Repeated to Shanghai.

ALLISON

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793.94/12429 : Telegram

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

HANKOW, February 15, 1938—3 p. m.

[Received 5:40 p. m.]

104. The situation presented in my telegram No. 76, February 3, 2 p. m.<sup>60</sup> as it must of necessity affect American commercial, economic and cultural interests in China is depressing. It is true that Japan has assured the United States that it has no intention to damage American interests. When American property has been damaged Japan has made haste to compensate the loss. Japan has expressed regrets and made apologies for insults and injuries. But nevertheless it becomes increasingly plain that American interests are being materially and adversely affected as the Japanese military machine rolls ruthlessly and relentlessly on destroying everything in its path. Witness the taking over of the Chinese customs, the making of a new tariff favorable to Japanese trade, the importation of Japanese goods into these areas such as kerosene and rayon in North China, without payment of duties, the destruction of American Mission premises, hospitals and schools in Soochow and Wusih, the continued occupation of the American Baptist College at Shanghai, the occupation of Tsinghua at Peiping. We evacuate our people only to have them go back to businesses that have been wrecked, mission stations that have been sacked, and unable to say who wrecked them as they had not personally witnessed the wrecking. In many cases evacuated Ameri-

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<sup>60</sup> Vol. III, p. 64.



cans tactfully refused permission to return to their stations or businesses after the Japanese military have completed occupation of the area and hostilities have ceased. I have found it impossible to envisage any plan which might be helpful in enabling Americans to resume where the present hostilities have forced them to leave off. American merchants cannot hope to compete with Japanese for what little business will offer when the period of reconstruction begins, except of course as they may sell to Japanese. American cultural enterprises which had begun to find a new place for themselves in cooperation with newly founded cultural efforts of the Chinese nationalism will suffer because of that cooperation and will find it necessary to cooperate with the Japanese effort at suppression of Chinese nationalism. The whole business of the future of American interests, economic, commercial and cultural, will be so beset with difficulties that many will be discouraged and quit the field.

Repeated to Peiping and Shanghai. Shanghai please relay to Tokyo and show to Commander-in-Chief.

JOHNSON

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793.94/12425 : Telegram

*The Counselor of Embassy in China (Lockhart) to the Secretary of State*

PEIPING, February 15, 1938—4 p. m.

[Received February 15—8 a. m.]

111. A Secretary of the Japanese Embassy called this afternoon and stated that his Embassy has been informed and [by?] the Chief of Staff of General Terauchi's<sup>61</sup> forces that Chengchow will be attacked in the near future, that Japanese planes in a recent reconnoiter over Chengchow observing that Chinese military trains were located near churches, factories, and other property belonging to nationals of third powers, that this proximity might result at the time of attack in destruction of such property, and that, in accordance with the Japanese policy of avoiding damage to the property and person of nationals of third powers, it was suggested that the Ambassador might wish to take steps to persuade the Chinese authorities concerned to increase the disintegration [*distance*] between the military trains and the foreign property referred to.

The Secretary stated that he is making the same statement to other Diplomatic Missions in Peiping and that it is his understanding that similar representations are being made by Japanese officials to Diplomatic Missions at Tokyo.

Sent to Ambassador and Tokyo.

LOCKHART

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<sup>61</sup> Japanese Army Commander in Chief in North China.

124.932/580 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, February 15, 1938—7 p. m.  
 [Received February 15—9:15 a. m.]

107. Nanking's 54, February 12, 11 a. m.

1. The Foreign Office this evening conveys to me the following oral statement:

[“] (a) The Japanese Government earnestly desires to settle as soon as possible the question of forcible entry by Japanese troops into the premises of the American Embassy at Nanking and to that end it has directed Major General Harada, Military Attaché of the Japanese Embassy and concurrently Chief Political Officer to the Expeditionary Forces, to express regrets to the designated officer of the American Government.

(b) The Japanese Government also desires to settle the cases of reported desecration of the American flag and the acting Japanese Consul General at Nanking has requested that Allison supply evidence in the various cases. Allison has supplied a memorandum setting forth the facts in each of the five different cases but he has not indicated the names of any eye witnesses. In these circumstances Harada is prepared now to express regrets for desecration of the American flag if such desecration shall have been established.”

2. The Foreign Office hopes that I can recommend to the Department that it agree to the foregoing procedure as calculated to promote an early final settlement of these two questions.

3. I cannot of course make any such recommendations. If the Department is not disposed to agree to the proposed procedure, it will seem desirable that the American officials concerned be directed to furnish to the Japanese authorities in China at an early date as complete and conclusive evidence as possible in all cases involving desecration of the American flag.

Repeated to Shanghai for Nanking and Hankow.

GREW

494.11/56 : Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, February 15, 1938—7 p. m.

141. Your 241, February 11, 2 p. m.<sup>62</sup> Department is now preparing telegram to Hankow, for repetition to Consulates, regarding procedure to be followed in handling claims.

In view of negligible results obtained by presentation to local Jap-

<sup>62</sup> Not printed.

anese authorities of claims arising out of 1932 incident,<sup>68</sup> and since the greater part of losses sustained in the present conflict will doubtless be regarded by Japanese as resulting from acts of forces incident to military operations, for which losses the Japanese Government has denied international responsibility, the Department considers that presentation of claims to local Japanese authorities is inadvisable except in specific cases in which international responsibility is admitted by Japanese Government and a desire expressed by it that such cases be settled locally.

With reference to cases in which claimants state that it is impossible for them to determine whether the damage was caused by Chinese forces or Japanese forces, you may advise them that in the absence of evidence establishing that internationally illegal acts of Chinese or Japanese authorities were the proximate cause of the damage sustained it is not perceived on what basis of legal liability claims for such losses could be successfully prosecuted against either Government.

Repeat to Hankow and Peiping.

HULL

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793.94/12395 : Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, February 15, 1938—8 p. m.

142. Your 239, February 11, noon. No further action would appear to be called for except to suggest to American claimants the preparation of claims covering any property losses sustained as a result of acts of Japanese forces at Wuhu.

HULL

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393.1163AM33/56 : Telegram

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

HANKOW, February 16, 1938—11 a. m.

[Received February 16—6:30 a. m.]

109. Your 111, February 15, 4 p. m. Please inform Secretary of Japanese Embassy that message conveyed in your telegram under reference reached me too late, for even while I was reading it I received word that the city of Chengchow had been bombed at least three times on the 14th instant, and that in the course of this bombing premises of Southern Baptist Mission were damaged. You may in-

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<sup>68</sup> For hostilities at Shanghai, see *Foreign Relations, Japan, 1931-1941*, vol. I, pp. 161 ff; see also *Foreign Relations, 1932*, vol. III, Index, pp. 769-773.

form the Secretary of the Japanese Embassy that as soon as I obtain details as to damage done I shall communicate it to him through you. Sent to Peiping. Peiping please repeat to Tokyo.

JOHNSON

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893.1163AM33/57 : Telegram

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

HANKOW, February 16, 1938—2 p. m.  
[Received February 16—11:35 a. m.]

110. Peiping's telegram 111, February 15, 4 p. m. Following informal note sent to Minister Foreign Affairs at 8 p. m., yesterday on receipt of Peiping's telegram above referred to.

"I have just received information from Peiping which comes from Japanese military sources to the effect that Japanese scouting planes which have passed over the city of Chengchow have observed Chinese military trains standing in the immediate vicinity of American property. I have been warned that this American property will be in danger from attacks from the air if these military trains remain near them.

It is not possible for me this evening to obtain confirmation of this report but I feel that you would not wish me to await confirmation before I brought it to your attention, having confidence as I do in the Chinese Government's desire to afford every protection possible to American lives and property in the course of the present unfortunate hostilities."

Repeated to Peiping. Please repeat to Tokyo.

JOHNSON

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893.76/59 : Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, February 16, 1938—8 p. m.

146. Your 14, January 4, 6 p. m. A representative of the Mackay Radio and Telegraph Company has informed the Department that the Japanese authorities are shipping to Shanghai from Japan a radio transmitter capable of sending messages direct from Shanghai to the United States and that they expect to be able and intend to establish and maintain direct commercial radio service between Shanghai and the United States beginning on or about May 1, 1938.

Representatives of the Radio Corporation of America, who apparently are not in close touch with the Mackay Radio and Telegraph Company, have also called at the Department. They stated, amongst other things, that the Radio Corporation of America had telegraphed the Director General of Telegraphs and Posts in Japan urging that

direct commercial radio service be resumed as soon as possible between Shanghai and the United States; that they have received reply that direct radio service between Shanghai and the United States might be resumed soon but that no definite information on the matter could be given. The representatives of the Radio Corporation of America indicated that some intimation from the American Government to the Japanese authorities might be helpful toward a resumption of direct radio service between Shanghai and the United States.

The Department desires that, unless you perceive objection, you discreetly investigate the accuracy of the report that the Japanese intend to establish direct commercial radio service between Shanghai and the United States on or about May 1.

Please report by radio as soon as practicable.

HULL

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811.015394/33 : Telegram

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

WASHINGTON, February 17, 1938—7 p. m.

75. Shanghai's 257, February 14, 8 p. m.; Tokyo's 107, February 15, 7 p. m.; Nanking's 57, February 15, noon. In order to expedite a local settlement of various of the issues which have arisen at Nanking upon which there is substantial agreement, and in view of the disagreement in regard to the adequacy of the evidence in the case under reference, the Department is prepared, provided that regret is expressed over violation of American Embassy property and assurances are given that there will be no repetition thereof, to accept the provisional expression of regret covering the desecration of the American flag in accordance with the formula proposed in Shanghai's and Tokyo's telegrams under reference.

The Department realizes the difficulty of obtaining evidence in regard to desecration of the American flag additional to that which Nanking has already furnished to the Japanese authorities, but in view of the statement contained in Nanking's 22, January 14, 9 a. m. that the Americans reporting cases of such desecration have expressed a willingness to make sworn affidavits, the Department suggests that Allison endeavor to obtain such affidavits and furnish them and other evidence to the Japanese authorities as a basis for their investigations.

Please instruct Nanking and Shanghai in accordance with the foregoing and repeat to Tokyo.

HULL

393.115/182 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, February 18, 1938—4 p. m.

[Received February 18—12:50 p. m.]

275. Reference Department's 132, February 12, 1 p. m., and other telegraphic instructions regarding losses suffered by American citizens and the submission of evidence. In behalf of American citizens this office has forwarded to the Japanese Consulate General a considerable number of applications for passes to inspect American property located at Chiaotoutseng, Changshu, Chinkiang, Changchow, Kiangyin, Liuho, Quinsan and Wusih in the province of Kiangsu. In spite of persistent efforts made here to obtain passes for American citizens none of these applications has been acted upon because of the refusal of the Japanese military authorities to permit foreigners to return to or even visit their stations. In these circumstances it is practically impossible for American property owners to ascertain their losses and to prepare their claims.

It is therefore suggested that the refusal of the Japanese military authorities to permit American citizens to inspect their properties in the interior be brought to the attention of the Japanese Government with the request that instructions be issued to arrange for and facilitate such legitimate visits of inspection.<sup>64</sup>

GAUSS

493.11/2096 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, February 18, 1938—6 p. m.

64. With a view to adopting a uniform procedure in the handling of pecuniary claims arising as a result of acts of Japanese forces the Embassy at Hankow is being instructed to repeat to consular offices in China the following:

[Here follows quotation of paragraphs numbered 1st-5th of telegram No. 78, February 18, 7 p. m., printed *infra*.]

With reference to paragraph 1st, quoted above, Department considers that formal protests to the Foreign Office against acts of Japanese forces should be limited to important situations of a serious character and that in other cases the Embassy's action be confined to a *pro forma* communication furnishing the Foreign Office with the information reported and requesting that the matter be investigated

<sup>64</sup>The Ambassador in Japan reported via telegram No. 285, February 19, 4 p. m., from the Consul General at Shanghai, that the question had been taken up with the Japanese Foreign Office (393.115/183).

and the Embassy informed of the results of the investigation. The information thus obtained from Foreign Office should be communicated to the Department and, in cases in which responsibility is admitted, to the office reporting the incident.

HULL

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493.11/2096 : Telegram

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

WASHINGTON, February 18, 1938—7 p. m.

78. Your 97, February 9, 3 p. m. With the exception of certain claims arising out of the military operations at Nanking which the Japanese authorities have expressed a desire to settle locally, no general arrangement for the local or informal settlement of claims against Japan has been formulated, although local settlements were made directly with claimants by Japanese authorities in claims arising out of bombing of American Baptist Mission at Tsining on January 10 and the American Board Mission at Tungchow on July 27.

With a view to the adoption of a uniform procedure in the handling of pecuniary claims arising in the present conflict as a result of acts of armed forces, the following should be repeated to Nanking, Peiping, Hong Kong, and consular offices in China, exclusive of Manchuria.

1st: Immediately upon receipt of reasonably reliable information regarding loss, or destruction, or damage to American property, or personal injury or death of an American national, as a result of acts of Japanese forces, promptly communicate to Department and to Embassy at Tokyo, either by telegraph or by mail as circumstances warrant, brief report covering date, place, nature of act, approximate extent of loss et cetera. The nearest Japanese authorities, civil or military, should be furnished informally with a statement of the essential points in the report or informed of the known facts of the case. The reports to Department and to Tokyo should show to what Japanese authorities notification was made. Tokyo will transmit such information to the Foreign Office and request that investigation be made and that it be advised of the results thereof. If the Foreign Office admits responsibility the Embassy will so inform the Department and the office in which the report originated, which will inform the claimant accordingly. The term "American property" as used above includes property owned by American organizations or citizens and property interests owned by them in foreign organizations.

2d: Without awaiting information from Tokyo regarding Japanese attitude, claimants should promptly prepare their claims in the form of a sworn statement or petition, in quadruplicate, setting forth all pertinent facts upon which claim is predicated and supported by best obtainable evidence on all material points involved, such as

American nationality of claimants and other points covered in Department's 184, August 26, 7 p. m., to Nanking.<sup>66</sup> Department does not desire that claims be prepared on printed form entitled Application for the Support of Claims Against Foreign Governments.

3d: When claim is prepared it should be filed with Embassy office or nearest American Consulate and original forwarded to Department and copy to Embassy Tokyo, which will be appropriately instructed upon examination of claim by Department.

4th: In cases in which Japanese Government admits responsibility with respect to particular incidents and manifests a desire to settle such claims locally and informally copy of claim should be furnished to local authorities authorized to effect local settlement. In such cases Department should be kept currently informed of settlement negotiations and, if possible, furnished with authenticated copy of any receipt, release, or waiver given to Japanese authorities in settlement of claim.

5th: Since sworn petitions relating to losses sustained by Americans in the present conflict, and affidavits executed in support thereof, are regarded as for the official use of this Government in determining whether a foreign government is internationally responsible with respect to such losses, notarial services should be performed by consular officers in connection with such documents without charge as provided by item 44 of the Tariff of Consular Fees.

6th: Acts of Chinese forces giving rise to claims should be reported to Department and Embassy and latter should ask Chinese Foreign Office to investigate and inform Embassy of results. In meantime claimants should promptly prepare claims in manner set out above and copy should be forwarded to Embassy and original to Department and copy retained in office of origin.

7th: If the claimant is unable to determine whether the loss or damage resulted from acts of Japanese forces or from acts of Chinese forces, he may file his claim with such evidence as it is possible for him to obtain, it being understood that his chances for obtaining indemnification will be greatly weakened, if not entirely lost, unless he can show with at least some degree of certainty which of the two forces was responsible for such loss or damage. Claims of this category should not be presented either to the Chinese or to the Japanese Government but should be transmitted directly to the Department. The last paragraph of Department's No. 141, February 15, 7 p. m. to Shanghai is amended accordingly and you should so inform Shanghai.

Department is repeating pertinent parts of this telegram to Tokyo for guidance.

HULL

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<sup>66</sup> *Foreign Relations*, 1937, vol. iv, p. 286.



393.115/184: Telegram

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

HANKOW, February 19, 1938—noon.

[Received February 19—7 a. m.]

114. With reference to Tokyo's 108, February 16, 7 p. m.,<sup>66</sup> and Tokyo's 113, February 17, 7 p. m.<sup>67</sup> please see my telegram 77, February 3, 3 p. m. I shall instruct Consulates concerned to transmit to stations within their districts recommendations under (a). As regards supplying of maps, that is extremely difficult. Consulate General at Hankow is now beginning to receive maps from various places, but as senders of maps are not ordinarily acquainted with necessary requirements to make maps intelligible, many maps received are completely confusing as regards location of property. Furthermore it is becoming increasingly difficult to send and receive mail or telegrams in areas tributary to the Consulate General at Hankow. It is obviously impossible for us or the missions to prevent Chinese military from stationing themselves in the vicinity of such property. In the recent bombing at Chengchow which was apparently intended for the railway station, practically all bombs landed on buildings railway station area including American mission property without hitting railway station which is located in the very center of the hotel, banking and other activities of Chengchow. Nor is it possible for us to prevent use of beacons or flags by Chinese. Any reply which we send to the Japanese should include a statement that Japanese air forces should be instructed to make certain of objectives before dropping bombs.

Repeated to Shanghai. Shanghai please repeat to Tokyo.

JOHNSON

811.015394/38: Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, February 19, 1938—1 p. m.

[Received February 19—7 a. m.]

64. Embassy's February 18, 4 p. m., quoting the Department's 74 [75], February 17, 7 p. m. Mr. Fukui was informed this morning of the substance of the Department's telegram under reference. He expressed pleasure at the attitude of the American Government and said he hoped the whole matter would be finally settled within a few days.

<sup>66</sup> Not printed; but see Japanese note dated February 15, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 583.

<sup>67</sup> Not printed; but see Japanese note dated February 17, *ibid.*, p. 585.

I shall endeavor to obtain affidavits regarding flag desecrations shortly and submit them to the Japanese authorities.

Sent to Hankow, repeated to Shanghai. Shanghai please repeat to Tokyo.

ALLISON

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893.76/87 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, February 19, 1938—1 p. m.

[Received 3:14 p. m.]

282. Your 146, February 16, 8 p. m. I cannot obtain definite information that direct radio service with the United States will be resumed May 1 but Japanese appear to have told representatives of the radio companies that they have transmitters en route for the purpose of direct services in the near future. I have reliable information that a central receiving station is in process of completion having practically the same capacity as former Chinese receiving station at Liu-hong near Shanghai. Some of the Chinese employees of the radio service have taken employment under the Japanese. Shecklen admits that R.C.A. circuit via Manila was reestablished February 12 but have found the service is slow and inefficient. Traffic to the United States has fallen off heavily, due partly to slow service but also to disinclination of business houses to patronize a Japanese-controlled station.

2. The American, British and French companies have opened conversations with the Japanese proposing revival of proposal for a neutral international radio service under a neutral committee but subject to Japanese censorship and other restrictions in the same manner as cables. If Japanese agree, which is very doubtful, committee will then see what can be done to obtain use of former equipment and personnel; consent to which from Chinese side is equally doubtful.

GAUSS

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393.1163AM33/60 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, February 19, 1938—5 p. m.

[Received February 19—10:35 a. m.]

284. The extensive and valuable property of the American Southern Baptist Mission located on Paoshing Road, Chapei, was occupied by Japanese troops following the withdrawal of Chinese troops from the premises in October of last year.

Repeated written and oral representations are being made to the Japanese Consulate General here to bring about the vacation of this property by Japanese troops. These efforts have proved unsuccessful. In the meantime members of the mission who have visited the premises from time to time report continuous looting of the premises by Japanese troops who are also tearing out the woodwork, breaking large holes through the walls, stabling horses in the school buildings and wantonly destroying the property. The property was always marked by American flags and American consular notifications of ownership many of which are still to be seen on the various buildings.

I am continuing my efforts here to bring about vacation of the property before it is completely destroyed but suggest that strong representations be made to the Japanese Government regarding this particularly flagrant instance of the occupation, looting and destruction of American property by Japanese troops.

Repeated to Tokyo, Hankow.

GAUSS

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124.932/583 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, February 22, 1938—2 p. m.  
[Received February 22—7 a. m.]

65. My 54, February 12, 11 a. m. Fukui called this morning and stated he had been informed that Major General Harada would call upon Mr. Gauss this afternoon to express regrets for the violation of Embassy property at Nanking. At the same time Mr. Fukui handed me a personal letter, signed by him, stating in part, "I wish to inform you that I have made an arrangement to remit the amount of United States dollars 6796 and Chinese dollars 10118 to the American Consulate General in Shanghai through our Consulate General there". Mr. Fukui said that he believed the payment would be made within a few days and he requested that upon my being informed of the receipt of the money by the American Consul General, I write him a personal letter acknowledging the receipt and adding, if possible, that the incident concerning the violation of the Embassy is now closed. Unless instructed to the contrary I shall give Mr. Fukui such a letter at the proper time.

With regard to the requested solatium for the family of Jenkins' servant, Mr. Fukui repeated his former statement that the Japanese Army could not be responsible for individual acts of violence not proved to have been committed by Japanese soldiers, but he added that, because of a desire not to impair the friendly relations between the

United States and Japan, and because the Chinese concerned was an employee of an American diplomatic officer, the Japanese Government would be pleased to make a voluntary payment of Chinese dollars 2500 to the family of the deceased. If this offer proves satisfactory to the American Minister [*Government?*], a check for the above amount will be handed the American Consul General in Shanghai by the Japanese Consul General there. Mr. Fukui said that no formal acknowledgment of this payment was desired and that merely a receipt signed by the Consul General in Shanghai would be sufficient.

I was requested to recommend that no publicity be given the expression of regrets by General Harada or the payment of a solatium for Embassy losses, inasmuch as it was feared that such publicity might tend to inflame public opinion in both countries. I told Mr. Fukui that I could only transmit his request without any recommendation.

Sent to Hankow, Peiping and Shanghai. Shanghai please repeat to Tokyo.

ALLISON

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124.932/584 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, February 22, 1938—3 p. m.  
[Received February 22—10:20 a. m.]

295. Major General Harada called on me this afternoon and made formal expression of regret as follows:

"I express our sincere regret for the violation of American Embassy property in Nanking. In this connection I should like to assure you that the Japanese authorities have taken appropriate steps to prevent recurrence of such incidents. As for the question of desecration of American flags we are conducting investigations. It is however most regrettable if such a thing did happen. I therefore express regret for the matter as well."

Repeated to Tokyo, Hankow and Nanking.

GAUSS

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494.11/58 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, February 23, 1938—3 p. m.  
[Received February 23—10:55 a. m.]

66. Embassy's February 5, 5 p. m., quoting the Department's 51, February 4, 4 p. m. Mr. Fukui gave me yesterday afternoon an official letter regarding private claims for damages in which he stated

that "the Japanese Government is prepared to accept responsibility for damages to private property of the United States of America in Nanking proved to have been caused by Japanese soldiers. The Japanese Government, however, will not assume any responsibility for damages resulting from military operations."

In my acknowledgment dated today I stated that "in accordance with our recent conversations on the matter it is understood that the reference to private property of the United States of America refers to property belonging to private American citizens or organizations, as distinct from Government officials or organizations." I further pointed out, in accordance with the Department's telegram No. 51, February 4, 4 p. m., that with regard to the Japanese disclaimer of responsibility for damages resulting from military operations, "as the American Government reserves all rights in respect to such damages, the American Government will regard the Japanese Government statement as not prejudicing the right of the Department of State to take up through diplomatic channels claims for damages resulting from military operations."

Sent to Embassy, Hankow. Repeated to Peiping and Shanghai. Shanghai please repeat to Tokyo.

ALLISON

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893.711/136 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, February 23, 1938—7 p. m.

[Received February 23—2:35 p. m.]

305. Department's 158, February 21, 7 p. m.<sup>68</sup> Twenty Japanese censors formerly with Japanese Ministry of Communications, but understood now to be under the military, have taken up quarters in the main post office building in the International Settlement north of Soochow Creek. Their [exact?] plans are not yet known but the Director of Posts believes censorship will begin very soon. The Director interprets lapse of almost 3 months since first threat of postal censorship, as possible lack of [eagerness] to undertake the task at Shanghai. He believes an immediate protest by interested powers before censorship actually begins might receive consideration at Tokyo but that any protest after censorship is instituted will be too late.

Repeated to Tokyo.

GAUSS

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<sup>68</sup> Not printed.

893.711/136a : Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, February 24, 1938—7 p. m.

165. 1. Please repeat to the Embassy at Tokyo the message quoted below, as follows:

“Reference Shanghai’s 305, February 23, 7 p. m. The Department desires that you inform the Japanese Foreign Office that you are advised that the Japanese military authorities are planning to impose a censorship of mail at Shanghai. You should say that the censorship of American mail by Japanese censors at Shanghai would be an unwarranted infringement of the rights of the American nationals concerned and request that instructions be sent to the appropriate Japanese authorities at Shanghai to refrain from such censorship.

You may, before approaching the Foreign Office, wish to consult with your interested colleagues in regard to similar but separate action by them.”

2. The Department leaves to your discretion the question whether you should take similar action at Shanghai.<sup>69</sup>

HULL

893.1163AM33/61 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, February 26, 1938—7 p. m.  
[Received February 26—8:40 a. m.]

136. Our 116, February 18, 7 p. m.,<sup>70</sup> Southern Baptist Mission at Chengchow and our 128, February 24, noon,<sup>70</sup> Lutheran Mission at Ichang.

The Foreign Office has telephoned that the Japanese military authorities state that the markings on the buildings were not sufficient to distinguish the latter as American property and request that all establishments within zone of military operations owned by Americans bear more conspicuous markings as requested by the Foreign Office in its notes of February 15 and 17<sup>71</sup> (our 108, February 16, 7 p. m. and 113, February 17, 7 p. m.<sup>72</sup>).

We have made no comment.

Repeated to Peiping for relay to Hankow and Shanghai.

GREW

<sup>69</sup> Representations were made at both Tokyo and Shanghai.

<sup>70</sup> Not printed.

<sup>71</sup> *Foreign Relations*, Japan, 1931-1941, vol. I, pp. 583 and 585, respectively.

<sup>72</sup> Neither printed.

393.115/201 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, February 27, 1938—4 p. m.

[Received 4:05 p. m.]

68. After a period of comparative quiet during which there were no reports of violations of American property and but few reports of disorders of any kind, there has recently been a recrudescence of unlawful acts on the part of Japanese soldiers brought to the attention of this Embassy.

During the last few days there have been reported three cases of unlawful entry by Japanese soldiers of property of the University of Nanking, two of which involved the forcible removal of Chinese male refugees for use as laborers and rough handling and intimidation of other Chinese on the premises, as well as the breaking of one or two windows by the soldiers. The third case involved a group of soldiers who broke down a section of the hedge surrounding the compound and took away some water stored inside. These matters were all reported to the Japanese Embassy as soon as possible and promises were given that such actions would not continue, though two of the incidents occurred after the first complaint was made. While these complaints have not been serious in themselves they have shown that order has not yet been completely restored and that instructions of the High Command are still flagrantly violated at times.

It was reported to the office yesterday morning, by the Chinese caretaker, that on the previous afternoon a Japanese soldier had broken into the residence compound of the Standard Vacuum Oil Company and after robbing four of the coolies there of \$9 Chinese currency had demanded more. When it was not forthcoming the soldiers slashed at one of the coolies with his sword and when the coolie dodged, the sword cut through a 2-inch bamboo flag pole on which was flying the American flag. This matter was immediately called to the attention of Mr. Kasuya of the Japanese Embassy, who was in the office at the time and in the afternoon he accompanied Vice Consul Espy and Japanese consular and military police to the spot for a personal examination of the coolies involved. The most serious aspect of this incident is that the Chinese on the premises have been so frightened that they may leave the compound which will then have no one to guard it in any way.

Late in the afternoon I was called upon by Lieutenant Colonel Hirota and Mr. Kasuya who expressed regrets at the incident and gave assurances that steps were being taken to prevent any repetition.

I pointed out that there was obviously not enough police protection being afforded various properties and Colonel Hirota said he had requested the military authorities to increase the patrols in that district. I then stated that it was not alone in that area but that American property in other parts of the city had also been entered recently and furniture and other articles taken away. I gave as an example the house of Julius Barr which on February 2nd had been inspected and found to have much of its furniture intact, while on February 11, when inspected a second time, most of the furniture was seen to have been taken away. I admitted the possibility of this having been done by Chinese, who are now returning to all parts of the city, but I added that there will be in the future no police patrols of any sort in the vicinity of the house and that as the Japanese Army was in occupation it was its responsibility to maintain order and prevent such happenings.

Colonel Hirota seemed sincerely to regret these occurrences and promised he would endeavor to impress upon military authorities the need of more adequate police protection. He requested me not to report these matters to Tokyo or Washington but I told him I must do so. However, I added I would request that for the present no publicity be given to these incidents unless it should become apparent that such things were continuing without any real effort being made to stop them.

Sent to Embassy [at] Hankow, Peiping and Shanghai. Shanghai please repeat to Tokyo.

ALLISON

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393.115/197 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, February 27, 1938—5 p. m.

[Received February 27—2:25 p. m.]

325. Reference my 234, February 10, 6 p. m.<sup>73</sup> last paragraph. Following an assurance given me some days ago, the Japanese authorities have now announced that facilities will be given for the removal of foreign cargo from the Chinese wharves and warehouses in question in the area north of the Creek beginning March 1. This is not the end of our problems but we are slowly making some headway.

GAUSS

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<sup>73</sup> Not printed.



393.115/202 : Telegram

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

HANKOW, February 28, 1938—10 a. m.

[Received 11:45 a. m.]

132. Following inquiry has been received from Tientsin:

"February 26, 10 a. m. Does paragraph 7 of circular February 21, 4 p. m.<sup>74</sup> apply [to?] claims for loss of American property looted by civilians in areas where usual civil authorities are unable to function because of hostilities?"

In the Embassy's opinion in instances where the local police authorities are forced to abandon their duty and the area formerly under their control is occupied by military force [the latter?] might reasonably be held responsible for damages inflicted by local civilians upon American property located within that area. This opinion is based upon the assumption that the occupying military force having seized control is responsible for the maintenance of law and order and protection of civilian property and life.

In circumstances as set forth in Tientsin's telegram quoted above, it would appear logical to have claimants file claims which could then be presented to the Government whose military force was in control of the area within which and at time the damage occurred. The Department's instruction[s] are requested.

JOHNSON

893.76/87 : Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, February 28, 1938—6 p. m.

176. Your 282, February 19, 1 p. m., paragraph 2. The RCA Communications, Incorporated, has communicated to the Department a message from Shecklen stating that your assistance is essential toward causing the Japanese authorities to permit the establishment of a committee form of management for the radio station operated by the Chinese Government Radio Administration at Shanghai.

The Department desires that, having in mind the Department's 622, December 7, 6 p. m.,<sup>75</sup> you continue to give all appropriate informal

<sup>74</sup> Circular sent out by the Ambassador in China was based on Department's telegram No. 73, February 18, 7 p. m., p. 274.

<sup>75</sup> Not printed; it reported a conversation at the Department with Col. Manton Davis, of the Radio Corporation of America, regarding communications at Shanghai. The telegram concluded: "Colonel Davis was advised that, in view of the unusual situation at Shanghai, the Department's attitude in general was that it would not wish to interpose objection to temporary *de facto* arrangements which it might be necessary or advisable to work out but that there could be no implication of official American participation in or sanction of arrangements made." (893.73/117.)

assistance to the companies in their discussions with the Japanese authorities.

HULL

393.115/246

*The Consul General at Tientsin (Caldwell) to the Ambassador in China (Johnson)*<sup>76</sup>

No. 602

TIENTSIN, February 28, 1938.

SIR: As of possible interest to the Embassy, I have the honor to enclose one copy of the Chinese original of a despatch received today ostensibly from the "Headquarters of the First Route Army of the Masses' Anti-Japanese Forces in North China" at Nanmeng, Pahsien, Hopei, together with an English translation prepared at this office,<sup>77</sup> in which the Consulate General is requested to notify Americans to display American flags after March 20 in order that they may be given appropriate protection during positive operations against the Japanese which will begin on that date. The cover in which this communication was received indicates that it was mailed in Tientsin although the place of origin noted on the outside of the envelope is "Nanmeng Church".

Nanmeng is situated about 50 miles south of Peiping and 30 miles west of Tientsin and only a few miles north of Pahsien District city. The Consulate General has received a number of reports during the past several months that representatives of the 8th Route Army were busy in Pahsien and neighboring districts in an effort to organize the people for guerrilla warfare against the Japanese.

Respectfully yours,

J. K. CALDWELL

793.94/12559 : Telegram

*The Counselor of Embassy in China (Lockhart) to the Secretary of State*

PEIPING, March 2, 1938—4 p. m.  
[Received March 2—8:40 a. m.]

143. My 89, February 5, 5 p.m.<sup>77</sup> At the instance of the French and some others a further informal meeting of representatives of Diplomatic Mission now in Peiping was held yesterday afternoon to consider question of extinguishing lights in Diplomatic Quarter in case of notice of an impending night air raid on Peiping. The meeting as expected divulged a marked difference between the Japanese and French repre-

<sup>76</sup> Copy transmitted to the Department without covering despatch; received April 18.

<sup>77</sup> Not printed.

sentatives on the subject, the former favoring the extinguishing of lights, and the latter keeping the quarter lighted. Both declined to yield any ground. It soon became evident that there could be no unanimity on the subject. I favored the plan of leaving the matter in the hands of the commandants as a purely protective measure as was authorized by the meeting of February 4 but since it has usually been the practice of requiring unanimity of action to implement the decision of the Body it was felt that the course described in my 89, February 5, 5 p. m., was no longer practicable inasmuch as the French commandant was not in agreement and inasmuch as the French, Dutch and Belgian representatives had at the meeting yesterday expressed the view that the quarter should not be darkened. The others present favored darkening the quarter, an exception being the Italian representative who favored darkening the quarter if all the commandants favored that course. It was finally decided that the situation existing before the question first arose should be restored whereupon I made it plain that I could not assume the responsibility of authorizing the senior commandant either to darken the entire quarter or to keep it lighted; that so far as I was concerned I would defer to the decision of the American commandant as regards extinguishing the lights in the American Embassy guard compound. Colonel Marston<sup>79</sup> informs me this morning that he still considers the extinguishing of lights as the best measure of protection and that if he receives any notice of an impending night raid (and neither of us at present are expecting any such raid) he will darken the lights in the guard compound.<sup>80</sup>

Repeated to Ambassador. By mail to Tientsin.

LOCKHART

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893.76/90 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, March 2, 1938—7 p. m.

[Received March 2—4:01 p. m.]

347. Your 176, February 28, 6 p. m. I have done what I could to urge upon the Japanese authorities the need for improved radio service with the United States and have asked for earnest consideration of the recent proposal for committee management. There is nothing more that I can do here and I do not believe there is anything that can be done elsewhere now in the matter. As the Department is aware from my several messages, the failure of early proposals on the com-

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<sup>79</sup> Col. John Marston, U. S. M. C., senior foreign commandant of Embassy guards.

<sup>80</sup> The Department, in telegram No. 73, March 10, 3 p. m., approved position taken.

mittee managed international radio service was due to the opposition and refusal of Shecklen, the R.C.A. representative, to support the proposals and his attempt to put the Chinese Government radio service under the protection of the American flag. I learn unofficially that the Japanese have told Shecklen and representatives of other radio interests that the reply to the proposal now made for committee management will be in the negative. I also learn that the Japanese are now working on the installation of additional transmitting equipment.

GAUSS

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393.1163AM33/60 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, March 5, 1938—3 p. m.

78. Shanghai's 284, February 19, 5 p. m. Department suggests that, if you have not already done so, you ask the Foreign Office to give serious attention to the substance of Shanghai's telegram under reference, as further illustrative of the general situation referred to in Department's 33, February 2, 5 p. m.

HULL

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393.115/216 : Telegram

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

WASHINGTON, March 8, 1938—6 p. m.

98. Your 132, February 28, 10 a. m. If claimants desire to file claims of the character mentioned they should be handled in the manner indicated in paragraph 7th of the Department's 78, February 18, 7 p. m. However, should responsibility be admitted with respect to particular incidents and a desire be manifested by the authorities to settle such claims locally and informally, the procedure set out in paragraph 4th may be followed. In claims of this character claimants' attention may be invited to the following considerations:

First: While it is a general principle of international law that a government is obligated to take all reasonable steps necessary to protect the property of aliens within its jurisdiction, a government is not ordinarily regarded as internationally responsible for losses sustained by aliens as a result of the acts of private individuals in the absence of evidence of complicity or neglect on the part of its authorities.

Second: In situations in which military forces have occupied and are in control of a particular area their responsibility in the matter of protecting the property of aliens against acts of private individuals

is not believed to be any greater than that which would have normally rested upon the regular civil authorities who were supplanted.

Third: In claims of this character claimants should endeavor to establish either (a) that the authorities were put on notice with respect to, or reasonably should have anticipated the occurrence of, illegal acts of the nature complained of, and negligently failed to take adequate steps to prevent the acts; or (b) that the authorities negligently failed to take adequate steps to apprehend and punish the offenders. It should also be shown, if possible, that sufficient police or soldiers were available to prevent the acts had the authorities been disposed to take steps to that end.

HULL

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893.76/91 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, March 9, 1938— 7 p. m.

[Received March 9—12:20 p. m.]

370. Reference my 347, March 2, 7 p. m. Japanese Consulate General has now replied to radio companies that it is unable to accept their proposals, adding that while obstacles continue to exist to use of the Chinese Government Radio Administration equipment in the French concession they are doing their utmost to restore radio communications and feel confident that the Shanghai station under Japanese control will succeed in rendering satisfactory service at no distant date.

GAUSS

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494.11/65 : Telegram

*The Consul General at Tientsin (Caldwell) to the Secretary of State*

TIENTSIN, March 10, 1938—noon.

[Received March 10—7 a. m.]

56. Reference Department's 78, February 18, 7 p. m. Japanese Consul has requested informally for presentation to Japanese military, a list of all unsettled American property losses incurred due to the present Sino-Japanese "incident", actual loss or damage, amount involved and circumstances. British Consul General has supplied similar list to Japanese Consul General which I have seen. I am preparing list and will forward it informally to the Japanese Consul General, and send copies to the Department and the Embassies at Tokyo and Hankow unless otherwise instructed.

Repeated to Embassy, Hankow.

CALDWELL

393.1115/2968 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, March 11, 1938—noon.

[Received March 12—7 a. m.]

Reference Peiping's February 26, 4 p. m.,<sup>81</sup> to the Embassy Hankow repeating Tokyo's February 26, 1 p. m. I have received copy of notice in English dropped by Japanese planes at Chengchow February 27 reading as follows:

"The Commander of Japanese Army advise the foreign gentlemen and ladies you must take off the Chinese trains at neighborhood of the foreigners' houses until 28th in this month. Unless you do not take off the Chinese trains on the railway Japanese troops will bomb them from 1st of March. At that time Japan Government cannot assume responsibility for any danger."

JOSSELYN

494.11/72 : Telegram

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

WASHINGTON, March 11, 1938—6 p. m.

101. Your 150, March 9, 4 p. m.<sup>81</sup> In cases in which claimants, or persons executing statements in support of claimants' allegations, are so far removed from an officer authorized to administer oaths that the execution of sworn statements would involve considerable hardship, their unsworn statements subscribed to before two witnesses will be acceptable to the Department provided each document contains a recitation by the declarant of the reasons why it has not been sworn to. However, it should be made clear to claimants that no assurances can be given that such unsworn statements will be acceptable to the government against which claim is made, or to an international claims tribunal should it become necessary or possible to submit claims arising out of the present conflict to such a tribunal.

If such unsworn statements are filed with an embassy or consular office, claimants should, if possible, remedy the situation by having them sworn to at some subsequent time when it is more convenient for the declarant to visit such office.

HULL

494.11/69 : Telegram

*The Secretary of State to the Consul General at Tientsin (Caldwell)*

WASHINGTON, March 11, 1938—6 p. m.

45. Your 56, March 10, noon. Department assumes that Japanese inquiry relates to claims arising in your consular district. If so De-

<sup>81</sup> Not printed.

partment has no objection to your furnishing informally the information requested provided it is made clear that other cases of which you have no knowledge may have arisen and also that the amounts indicated are not necessarily final in all cases.

HULL

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893.1163/798 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, March 12, 1938—11 a. m.

[Received March 12—8:20 a. m.]

381. Following is summary of a petition dated March 10th addressed to the Secretary of State by nine American missionary organizations working in the Lower Yangtze Valley.

It is pointed out that since Japanese occupation of this area missionaries have been denied access to mission property and that during their enforced absence nearly all buildings have been looted and damaged and some destroyed by fire. Secretary of State is therefore petitioned:

(1) To make formal protest to the Japanese Government against the continued occupation of American property by the Japanese Army;

(2) To request adequate protection for all American mission property;

(3) To urge that missionaries be given free access to their stations and full use of mission property at an early date.

With the petition is enclosed a list showing that American mission property at the followed named places is occupied at the present time by Japanese troops: Changshu, Changchow, Chinkiang, Liuho, Nansiang, Quinsan, Shanghai, Soochow, Sungkiang, Yangchow and Wusih in the Province of Kiangsu and Huchow and Kashing in Chekiang Province.

Petition is being forwarded by me by air mail.<sup>83</sup> I urge that strong representations be made against the continued occupation of American mission property and denial of access thereto.

Repeated to Hankow, Tokyo and Peiping.

GAUSS

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<sup>83</sup> Not printed.

893.76/92 : Telegram

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

HANKOW, March 14, 1938—11 a. m.

[Received March 14—9:50 a. m.]

160. My 78, January 30, 11 a. m. Note dated March 10 from the Chinese Foreign Office relating to the communication of January 29 concerning the Mackay Radio and Telegraph Company at Manila and concludes as follows: (Embassy's translation)

"The Ministry of Foreign Affairs has now received a further report that the radio station in question is continuing to exchange messages with the radio station illegally set up by the Japanese at Shanghai. The Ministry therefore repeats its request that the American Embassy promptly take steps to put a complete stop to this exchange. Badge-keeps [*sic*]".

Is the Department prepared to instruct me what reply should be made to the Foreign Office?

JOHNSON

793.94/12649 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, March 14, 1938—2 p. m.

[Received 2:20 p. m.]

390. From Atcheson: <sup>84</sup>

"1. General conditions in Nanking have improved considerably in [recent] weeks. Chinese from refugee zone have been returning to their homes and spreading through the city. Small Chinese and Japanese shops have been opening. Missionaries report that number of known cases of rape and of assault by soldiers upon civilian population has been reduced to 2 or 3 daily of each category. About 200 unarmed Chinese police are on duty throughout the city and postal service is scheduled to resume March 24.

2. Nanking is apparently being used both for garrison purposes and as a rest camp, and with present garrison personnel the problem of maintaining order centers chiefly in new troops coming from the field. Recently this difficulty appears to have been dealt with in comparatively satisfactory manner.

3. The new Japanese Consul General seems also well disposed, Japanese officials I met were friendly and it was obvious that there exists a cordial and friendly relationship between them and Allison and Espy. (Both their duties and the conditions under which they live have imposed considerable strain upon Embassy staff. There is yet no telephone service, electric light service is not continuous and water service is only occasional.)

<sup>84</sup> George Atcheson, Jr., Second Secretary of Embassy in China.



4. While life in Nanking is far from normal, general improvement in conditions inclines me to recommend that Japanese authorities be pressed to lessen restrictions against return of American missionaries and business men who have important interests there. Following is from letter addressed to the Embassy March 9 by missionaries representing present Nanking American community:

'It seems to us that there is now no good reason why the Japanese should seek to place any restrictions on the presence or movement of American nationals in Nanking. Three months have elapsed since the occupation of the city, and there is at this time no conceivable danger which would of itself make it unwise for Americans to reside there. The present restrictions may possibly have been justified in the early days immediately following the occupation, but there is no reason for them now.

Furthermore, in addition to the fact that there is no reason why American citizens should longer be kept out of Nanking, there are also certain definite and positive reasons why they should return. In the first place, their return is needed in order to assess properly the damages to American property recently occasioned by Japanese soldiers. Only the various owners or persons responsible for such property can file satisfactory statements in regard thereto. But of even more importance than this is the fact that additional workers are needed to meet the great humanitarian needs which the present emergency has thrust upon us. Those who are now available for this task are all too few, and various matters, especially public health, have been already far too long neglected. Again, apart from the relief work, there are the regular tasks of business, mission, or other enterprises, which those concerned therewith naturally desire to carry forward at the first opportunity. Finally, there is the obvious fact that the Open Door—a vital principle to our Government—can be kept open only if a sufficient number of Americans (and other foreign nationals) stay by their jobs and keep it from being shut. Thus taken together all these reasons combine to make a strong case for seeking the immediate removal of the restrictions that now prevail.' "

[Atcheson]

GAUSS

793.94/12650: Telegram

*The Counselor of Embassy in China (Lockhart) to the Secretary of State*

PEIPING, March 15, 1938—4 p. m.

[Received March 15—9:30 a. m.]

170. Embassy's 132, February 25, 5 p. m., and 139, February 28, 3 p. m.<sup>85</sup> An American of the American Board of Mission at Fenchow has arrived at Peiping and states that Fenchow was taken by Japanese February 17; that all Americans there were uninjured; that the only casualty among Chinese associated with the mission was the gateman, who was killed; that mission buildings suffered considerable damage from Japanese artillery and rifle fire, for which a claim is being prepared; that Japanese have since not disturbed the mission except by visits of inspection; that he had to wait 10 days to receive a pass to leave Fanchow because of alleged presence of irregulars between

<sup>85</sup> Neither printed.

Fenchow and Taiku; that there was considerable looting and raping in Fenchow by Japanese and some shooting of civilians; that a large proportion of the population had fled, however, prior to the occupation; and that there is widespread guerrilla activity in Shansi.

Repeated to Hankow, by courier to Tokyo and Tientsin.

LOCKHART

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393.1115/2979 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, March 15, 1938—5 p. m.

[Received March 15—1:05 p. m.]

76. Shanghai's 390, March 14, 2 p. m. With regard to paragraph 4 of Shanghai's telegram under reference it should be reported that in an informal conversation with a Japanese official yesterday I mentioned the matter of Americans returning to Nanking and stated that I believed a good impression would be created if the Japanese would announce that foreigners who had formerly lived or had business interests in Nanking would be permitted to return. This official agreed but stated that at present there were 2 objections: First, the local military authorities are very sensitive to criticism and have been much disturbed at reports which have been sent abroad by Nanking foreigners as to conditions here and they therefore hesitate to allow any more foreigners to come to the city; second, from a purely military viewpoint it is believed that conditions are not yet such as to permit of foreigners returning. It was stated that the Japanese must take Hankow before foreigners can be permitted freely to return to Nanking and normal shipping services resumed on the Yangtze. I pointed out that Americans had a right to live in China and that the American Government had not admitted the right of the Japanese to prevent Americans returning to their homes here but that up to the present there had been no desire to make an issue of the matter. I added that it might soon be necessary to do so, however, and that in view of Japan's oft stated friendship for the United States and the recent statements in the Japanese Diet by Foreign Minister Hirota that foreign rights and interests were to be respected, I hoped that no impediment would be placed in the way of Americans returning in the not too distant future.

Sent to Embassy, Hankow. Repeated to Peiping and Shanghai. Shanghai please repeat to Tokyo. If Shanghai's 390 has not been repeated to Tokyo, I suggest that they do so.

ALLISON

493.11/2112 : Telegram

*The Counselor of Embassy in China (Lockhart) to the Secretary of State*

PEIPING, March 16, 1938—5 p. m.  
[Received March 16—10:30 a. m.]

175. Various Japanese have shown a lively interest lately in the Fan Biological Institute at Peiping, which was built with American remitted Boxer Indemnity funds and which is supported by the China Foundation. No Americans are at present directly connected with the Institute. The Institute has now received a letter from the North China Affairs Bureau of the South Manchuria Railway Company stating that the Institute is suitable as a residence and that a company representative will discuss with the Institute procedure and conditions for purchase. The Institute has replied that it does not wish to sell. In view of the possibility of pressure being brought to bear on the staff of the Institute, does the Department have any objection to my orally informing the Japanese Embassy of the American financial assistance to the Institute and to expressing the hope that no action will be taken by the Japanese which might adversely affect it? Please expedite reply.

Repeated to Ambassador, Hankow.

LOCKHART

893.76/92 : Telegram

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

WASHINGTON, March 16, 1938—5 p. m.

104. Your 160, March 14, 11 a. m. If, in your judgment, the note from the Chinese Foreign Office requires a reply, the Department suggests that you endeavor orally and informally to close the matter by placing before the Foreign Office the realities of the situation at Shanghai and the importance to the public both in Shanghai and abroad and to the interested radio companies of the continued operation of radio facilities. In this connection see Shanghai's No. 1059, December 1, midnight,<sup>86</sup> and ask Shanghai to repeat to you the Department's 622, December 7, 6 p. m.<sup>86</sup>

The Department also suggests that you cause the Shanghai representative of the Mackay Radio and Telegraph Company to be informed of the substance of the note from the Ministry of Foreign Affairs.

HULL

<sup>86</sup> Not printed.

493.11/2112 : Telegram

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

WASHINGTON, March 17, 1938—7 p. m.

82. Your 175, March 16, 5 p. m., in regard to the Fan Biological Institute at Peiping. The Department perceives no objection to your taking, orally and informally, the action suggested.

HULL

811.79690 Pan American Airways/133 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

Tokyo, March 21, 1938—3 p. m.

[Received March 21—7:40 a. m.]

188. Following is translation of an informal note received last night from the Vice Minister for Foreign Affairs.

"Tokyo March 20, 1938. My dear Ambassador: According to the recent report from the commander of a large number of Japanese warships anchored in the vicinity of the Manshan Islands, which lie at the head of Canton Bay, for the purpose of blocking communications along the coast of South China, on March 11, at about 3:30 P. M., a flying boat (high winged monoplane) proceeding from the direction of Hong Kong flew over the Manshan Islands toward Macao. It was concluded from the appearance of the machine and from the course it was flying that it was a commercial machine, and, therefore, the Japanese warships and airplanes did not attack it. Further, it was ascertained from subsequent investigations that the machine was an airplane belonging to the Pan American Airways.

However, according to most recent reports received by the Japanese Government, Chinese airplanes are frequently active in the vicinity of Canton, and, consequently, the Japanese Navy cannot neglect preparations for ordinary offensive operations. British airplanes in Hong Kong are for the present refraining from flying over the vicinity of the Manshan Islands. In view of the possibility that, due to flights over such area by airplanes of the Pan American Airways, some unfortunate error involving the Japanese Navy might occur, I have the honor to request that measures be urgently taken with a view to flights over the Manshan Islands not being undertaken for the time being."

Please instruct.

Repeated to Shanghai for relay to Hankow.

GREW

393.1115/2979 : Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, March 23, 1938—7 p. m.

225. Your 390, March 14, 2 p. m. Please transmit the following telegram to Tokyo :

“Nanking’s 76, March 15, 5 p. m. and Shanghai’s 390, March 14, 2 p. m. The Department desires that you avail yourself of a convenient opportunity informally to bring to the attention of the Foreign Office the situation and considerations set forth in the telegrams under reference and to express the hope that the restrictions on Americans returning to Nanking will be removed at an early date.

For your information but not for communication to the Japanese authorities, the Department is of the opinion that Americans returning to Nanking should for the time being be limited to missionaries and business men with important interests, as stated by Atcheson in paragraph 4 of telegram No. 390, and that American women, with the exception of doctors and nurses, and children should be dissuaded from returning to Nanking.”

The Department desires that, in taking up the matter with the appropriate Japanese authorities at Shanghai, you be guided by the foregoing instruction to Tokyo.

Please repeat to Hankow.

HULL

393.115/228 : Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, March 23, 1938—8 p. m.

226. Your 275, February 18, 4 p. m.; 285, February 19, 4 p. m.;<sup>87</sup> and 381, March 12, 11 a. m.

1. Department desires that you continue in your endeavors to cause the Japanese authorities to take such steps as may be required to bring about a prompt evacuation of, and to remove such restrictions as now prevent owners from returning to American properties, including those mentioned in the third paragraph of your 381. However, for your own information, the Department is of the opinion that under existing conditions only men having urgent and important business should proceed to points in the interior and that all children and, with the exception of doctors and nurses, women should remain in places of safety.

2. Department also desires that you make appropriate acknowledgment of the petition mentioned in your 381 and assumes that you have already sent to Tokyo the list referred to in the third paragraph of your 381 as well as such other pertinent data as may be available.

<sup>87</sup> Telegram No. 285 not printed.

3. Please transmit to Tokyo, and in your consideration of this matter be guided by, the following:

Reference Shanghai's 275, February 18, 4 p. m.; your February 19, noon, to Shanghai;<sup>88</sup> and Shanghai's 381, March 12, 11 a. m. Department suggests that, with regard to Shanghai's telegrams under reference and as supplemental to the information on this subject which you have already communicated to the Japanese Government, you again draw to the attention of the Foreign Office with a view to obtaining prompt remedial action (a) the continued occupation by Japanese military of American properties, and (b) the action of the Japanese military in preventing American owners or their representatives from occupying or even inspecting such properties. With reference to point (a) it is suggested that specific mention be made of the American mission property now under Japanese occupation as set forth in the list enclosed with the petition mentioned in Shanghai's 381. Also, if the American property now under Japanese occupation as set forth in that list includes that mentioned in your 612, December 10, 4 p. m.,<sup>89</sup> you may care to indicate, as illustrative of point (b), that although the Japanese Government admitted responsibility for the bombing on November 12 of the American church mission property at Wusih and indicated its readiness to compensate for losses sustained, it would appear that not even at this late date are mission representatives permitted to resume rightful occupation or even to inspect their properties with a view to ascertaining losses sustained.

HULL

493.11/2123

*The Consul General at Tientsin (Caldwell) to the Secretary of State*

No. 257

TIENTSIN, March 23, 1938.

[Received May 3.]

SIR: I have the honor to refer to the Department's telegram No. 78 of February 18, 7:00 p. m., to the Embassy at Hankow (repeated to this office by the Embassy's circular of February 21, 4:00 p. m.) concerning the procedure for handling claims resulting from the present Chinese-Japanese hostilities, and to the Department's telegram No. 45 of March 11, 6:00 p. m., to this office authorizing me to furnish informally to the Japanese Consulate General a list of the losses of American property in this consular district for which indemnity has not been received.

I enclose a copy of the list which was informally transmitted to a Japanese consular officer under cover of a personal letter dated March 23, 1938, a copy of which is also enclosed,<sup>90</sup> and which covers all unsettled losses known to this office on March 22, 1938.

<sup>88</sup> Telegram of February 19, noon, from Tokyo, not printed.

<sup>89</sup> *Foreign Relations, 1937*, vol. IV, p. 397.

<sup>90</sup> Enclosures not printed.

Claims of the several categories specified in the Department's instruction to the Embassy at Hankow have been grouped together in the list, but this grouping has not been indicated in the copy of the list supplied to the Japanese Consulate General. The losses on pages 1 and 2 of the list, numbered 1 to 32, inclusive, totalling US\$102,385.24, appear to have been due to looting by irregular troops and civilians. The losses on pages 3 and 4 of the list, numbered from 33 to 54, inclusive, and on the supplementary list, totalling US\$32,516.72, seem to have been due directly to Japanese troops. The losses on page 5 of the list, numbered 55 to 59, inclusive, totalling US\$9,595.19, were caused by the regular Chinese military and authorities. The responsibility for the losses on pages 6 and 7 of the list, numbered 60 to 84, inclusive, totalling US\$38,980.69, has not been determined; it is probable that in at least some of the cases in this fourth category the losses were due to the actions of more than one of the groups responsible for the losses in the first three categories.

Copies of this despatch are being sent to the American Embassies at Hankow and Tokyo.

Respectfully yours,

J. K. CALDWELL

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701.0093/228 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, March 29, 1938—2 p. m.

[Received March 29—7 a. m.]

192. 1. Wang Keh Min<sup>21</sup> informed foreign press correspondents at 10 o'clock this morning that several "ruffians" (reportedly six Chinese) fired several shots at his motorcar last evening at 6:20 o'clock, that he escaped uninjured, that his Japanese private secretary was wounded in the arm and face and that the assailants escaped on bicycles. Other reports of the incident are approximately the same. The incident occurred in the Chinese city at a corner of Hatamen Street.

2. As a result of the attack a search for the assailants was instituted throughout the Chinese city and Japanese gendarmes and Chinese municipal police were stationed for some hours at gates of the Legation quarter, without authority [of?] the Legation quarter authorities, and searched passers-by and stopped motorcars for investigation, including some cars of Diplomatic Missions. (A British Embassy car was stopped inside one gate.) These police have been continuing their search this morning but at points outside the glacis where Chinese municipal police jurisdiction exists.

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<sup>21</sup> Head of Japanese-sponsored regime at Peiping.

3. As representative of the senior protocol Embassy, I called on the Japanese First Secretary this morning and informed him that the stationing of Japanese and/or Chinese municipal police on Legation quarter property and the stopping and investigating of motor vehicles of Diplomatic Missions was without legal basis, that the control and administration of the Legation quarter was in the hands of the Legation quarter authorities. The Secretary replied that he understood these points but that the Japanese military had been greatly excited by the attempted assassination. I replied that no matter how serious the incident, any measures taken affecting the Legation quarter should be taken only by the Legation quarter authorities. I requested the Secretary to inform the Japanese authorities responsible for the stationing of the police on Legation quarter property of the foregoing views. He replied that he would comply with my request. He also said that there is no proof that the assailants have taken refuge in the Legation quarter.

SALISBURY

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393.1115/3040 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, March 29, 1938—4 p. m.

[Received March 30—7 a. m.]

87. Department's 225, March 23, 7 p. m., to Shanghai. During the past 10 days an effort has been made to make arrangements for 2 doctors and 2 nurses to come to Nanking from Shanghai as well as for American citizens in Nanking to make business trips to Shanghai and return, but with little success. I was informed this morning by the Japanese Consul General that the Japanese military authorities in Shanghai, with whom the matter had been taken up, stated that for the time being they did not consider it advisable for foreigners to come to Nanking. The Japanese military take the stand that if anything should happen to foreigners in Nanking they would be morally responsible and they do not wish to take a risk. As for Americans already in Nanking desiring to make visits to Shanghai and return, it was said that this would probably be possible soon but no definite date was set when such trips could be made.

It is believed that no progress can be made in this matter locally and that it will be necessary to press the matter in Shanghai and Tokyo if anything is to be accomplished. The following facts, all of which have been brought to the attention of the local Japanese authorities, are presented for possible use in any representations which may be made.



According to the Japanese Consul General himself, there are at present approximately 600 Japanese citizens in Nanking. This number, which is believed to be far greater than before the opening of hostilities, includes a considerable number of women and children. There are at least 13 shops of various kinds in Nanking operated by Japanese, which sell to Chinese and foreigners and cannot be classified as shops for military purposes. Announcements and price lists of these shops have been printed from time to time in the small local newspaper which is published through arrangement with the special section of the Japanese Army. Japanese ships make trips from Shanghai to Nanking every 5 days and while the Japanese authorities claim these ships only bring military supplies it has been noticed that supplies for these various shops mentioned above are sometimes included in the cargo and it is known that Japanese and some Chinese civilians have made trips back and forth in these ships. Japanese and Chinese civilians now also make trips to Shanghai from time to time in the military train which now makes daily runs between the two cities. One Japanese trucking company alone has 40 trucks operating on the road between here and Shanghai.

It would appear from the above that there is ground for the belief that discrimination is being shown and that American and other foreign rights and interests are not being given the consideration promised in the various statements in the Diet made by the Japanese Premier and Foreign Minister. With regard to the Japanese claim that Nanking is still dangerous it should be pointed out that while Chinese air raids have taken place from time to time, the Chinese have scrupulously avoided flying over the center of the city and few if any foreigners have seen even a single Chinese plane. Order within the city has greatly improved and the danger to foreigners, if any, is extremely slight.

Sent to Embassy, Hankow. Repeated to Peiping and Shanghai. Shanghai please repeat to Tokyo.

ALLISON

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701.0093/229 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, March 31, 1938—11 a. m.

[Received March 31—6 a. m.]

199. At the request of the Ambassador the following two telegrams are quoted:

“March 30, 11 a. m.

1. The Japanese Embassy has asked the French Embassy for permission to use the French glacis on April 6th for a review of 3,000

'Self Defense Corps' young Chinese men. Yaguchi of the Japanese Embassy states that the young men are not soldiers and do not carry arms and that the review will be neither military nor political in character. The Corps will be reviewed by Japanese officers not of the Embassy guard.

2. The French commandant gave permission for the French glaciais to be used. That permission has now been suspended and will probably be retracted. The French claim that due to poor interpreting the French commandant did not realize that officers other than Embassy guard officers were to participate. Lacoste contends that the review is political in character. If the French definitely refuse permission they will probably raise the question of whether objection should be made to the review being held on the Japanese glaciais.

2 [*sic*]. I have told Lacoste that my personal view is that it would be inadvisable to make an issue of the matter inasmuch as (a) the Japanese state that the review is neither military nor political in character, (b) the Self Defense Corps is not composed of soldiers and is armed only with wooden staves, (c) the political character is not clearly apparent, (d) Japanese officers other than Embassy guard officers have in the past made some use of the Legation quarter without objection being advanced (for example, General Terauchi held a press conference at the Embassy), (e) unanimity of view on the part of the Diplomatic Missions could not be achieved, (f) the Japanese will hold the review anyway, and (g) likelihood of our gaining our ends when some future and more important question arises would be lessened.

3. I should appreciate your instruction as to what the Embassy's attitude should be in case the French make an issue of the question.

4. I understand that the British Embassy here holds views similar to mine".

"March 30, 5 p. m. Your March 30, 11 a. m. I agree with you that it would be inadvisable to make an issue of the matter. Please repeat your telegram and this reply to the Department".

SALISBURY

393.1164 University of Shanghai/12 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, March 31, 1938—6 p. m.

241. Your 385, March 12, 6 p. m.,<sup>92</sup> and previous. Recently there called at the Department representatives of the Southern and Northern Baptist mission societies in regard to the University of Shanghai, the property of these societies. The representatives referred to the efforts of the mission societies' representatives in Shanghai, with the assistance of the Consulate General, to obtain the evacuation of Japanese forces from the University property; pointed out that constantly increasing damage to the property was resulting from military occupation and lack of care and by reason of major unrepaired damage to roofs, and that nearly 6 million Americans, members of

<sup>92</sup> Not printed.

their organizations, are interested in the University; and requested that the Department urge the Japanese authorities to effect the early return of the University property with compensation for damages sustained and rental for the period of occupation and use by Japanese military forces.

The Department desires that you continue to give your earnest and careful attention to this matter and to keep the Department informed of developments.

Please repeat to Tokyo as Department's No. 114, Mar. 31, 8 p. m.

HULL

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393.1115/3046 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, April 1, 1938—10 a. m.

[Received April 1—7:30 a. m.]

486. Reference Department's No. 226, March 23, 8 p. m., regarding Japanese military occupation of American mission property and restrictions upon return of Americans to mission stations. From discussions with Hidaka, the new Japanese Consul General, I learn that he has been conferring with the Japanese military and he says that he has been able to obtain their "agreement in principle" to evacuation of American property and return of Americans to their stations but it is apparent from his statements that there will be difficulty and delay in applying the principle and therefore little progress may be expected in the near future. Constant pressure will be needed both here and in Tokyo.

Repeated to Tokyo.

GAUSS

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393.1115/3053 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, April 1, 1938—4 p. m.

[Received 9:53 p. m.]

90. My 87, March 29, 4 p. m. In the telegram under reference it was reported that the Japanese Consul General had stated it would probably soon be possible for American citizens to make business trips to Shanghai and return. Two American citizens, Professor M. S. Bates of the University of Nanking and Reverend Ernest Forster of the American Church Mission, were informed yesterday afternoon by Mr. Tanaka of the Japanese Consulate General that arrangements had been made for them to go to Shanghai on a Japanese ship leav-

ing here April 3. However, a pass will be issued good only for travel from Nanking to Shanghai and it would be necessary to apply to the Japanese military in Shanghai for a pass to return which it was said would be granted. According to Mr. Bates, he was told that the Japanese military were dissatisfied with the conduct in Shanghai of foreigners who had previously come from Nanking and that the local Consulate General had been asked to see to it that any other foreigners coming to Shanghai be very careful about their conduct while in the city. It was said that if the conduct of Mr. Bates and Mr. Forster was not satisfactory it might be difficult for them to return to Nanking. Upon being asked to explain, Mr. Tanaka stated that other foreigners had spread anti-Japanese propaganda regarding the situation in Nanking and he advised Mr. Bates to be very careful during his stay. He was particularly advised against talking to newspaper men or at least saying things which might be published and which the military tribunal [*would*] consider injurious to the army. It would also be necessary for Mr. Bates and Mr. Forster to give their Shanghai addresses and to state how long they wished to remain in the city.

I called on Consul General Hanawa this morning and made an informal protest against these conditions being placed upon the travel of Americans and also at what seemed to me to be an unwarranted attempt of the Japanese military to assume control over American citizens. Mr. Hanawa stated that Mr. Tanaka had only been giving friendly advice and that there were no "conditions". I then asked why, if there were no conditions, it was not possible to give a pass good for the round trip rather than only a one way pass, and Mr. Hanawa replied that the military in Nanking could not give such a pass. I pointed out that the military in Wuhu had given a round trip pass to an American citizen about a month ago for a trip to Shanghai and that it seemed strange that the Nanking military could not do the same thing. I stated that while technically there might be no conditions to the granting of these passes, inasmuch as a round trip pass was not issued, the practical result was the same as if conditions had been made. I added that neither Mr. Bates nor Mr. Forster was going to Shanghai to make anti-Japanese propoganda but that in the course of their work it might be necessary for them to make factual statements regarding Nanking conditions and that it was not right that they should be penalized if some of their statements proved displeasing to the Japanese military. I concluded by saying that if these Americans were prevented from returning to Nanking I should be inclined to take a serious view of the matter.

It is apparent that the real reason for military restrictions upon the travel of foreigners between Shanghai and Nanking is the fear that the truth will be told concerning Japanese activities here rather than solicitude for the safety of foreigners as has been claimed. I believe

it would be beneficial if the Embassy at some future date could make informal representations against this attitude of the Japanese military in Shanghai which so greatly hinders the legitimate activities of American citizens.

Sent to Embassy, Hankow, repeated to Department, Peiping and Shanghai. Shanghai please repeat to Tokyo.

ALLISON

701.0093/229 : Telegram

*The Secretary of State to the First Secretary of Embassy in China (Salisbury), at Peiping*

WASHINGTON, April 1, 1938—7 p. m.

94. Your 199, March 31, 11 a. m. Department concurs that it would be inadvisable to make an issue of the matter.

However, if any conference is held with regard to it, the American representative should take the position that the American Government feels that any such use of any part of the glaciis under the auspices of any country should be discouraged, and that the American Embassy, while it will acquiesce in the case under reference, does not give assent.

Please inform the Ambassador.

HULL

393.1115/3040 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, April 1, 1938—9 p. m.

116. Nanking's 87, March 29, 4 p. m. Department feels that there is no necessity for giving you express instruction, with regard to each case as it arises, to take appropriate action; but it occurs to Department that, in the light of the information now given by Nanking, this might be an opportune moment to urge again upon the Foreign Office that Americans who have interests at Nanking be permitted to proceed to and remain in that city, as Japanese nationals appear to be doing in considerable numbers.

HULL

393.1115/3055 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, April 4, 1938—1 p. m.

[Received April 4—5:43 a. m.]

225. Department's 116, April 1, 9 p. m., return of Americans to Nanking. I called today on the Vice Minister for Foreign Affairs and

made strong representations supported by an *aide-mémoire* as well as a separate informal document presenting the facts described in Nanking's 90, April 1, 4 p. m. The situation was fully and vigorously set forth.

Repeated to Shanghai for Nanking.

GREW

811.79690 Pan American Airways/133 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, April 5, 1938—1 p. m.

120. Your 188, March 21, 3 p. m. The Department desires that you reply to the Japanese Government in the sense that the Pan American Airways System has been informed of the contents of the communication of the Japanese Government, and that the company states it has conveyed the information to its Pacific Division. You should especially draw attention to the notification made by you to the Japanese Government describing the planes in use by the Pan American Airways System on its Manila-Macau-Hong Kong run as reported in your 542, November 15, 4 p. m.,<sup>98</sup> and you should state that irrespective of whether airplanes of American nationality comply with the request of the Japanese Government to avoid flights over any particular area of Chinese territory or Chinese waters the Government of the United States confidently expects the Japanese Government to take all necessary measures to prevent any action by Japanese armed forces which might endanger American planes or their occupants.

HULL

893.73/133a : Telegram

*The Secretary of State to the First Secretary of Embassy in China (Salisbury), at Peiping*

WASHINGTON, April 11, 1938—3 p. m.

103. Reference Tsingtao's monthly political report for January, 1938,<sup>99</sup> page 15, which states that "telegrams despatched from Tsingtao must be in the Japanese language".

If this regulation is still in effect, it is suggested that you instruct the Consul at Tsingtao to consult with interested colleagues on the advisability of making informal representations to the appropriate authorities to the end that the telegraph administration accept for transmission telegrams in the English language.

HULL

<sup>98</sup> Not printed.

393.115/239 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, April 12, 1938—4 p. m.

[Received April 12—9:45 a. m.]

225. Embassy's 81, February 2, 7 p. m.<sup>95</sup>

1. The following unsigned communication headed by the word "note" was handed to me this morning by a Secretary of the Japanese Embassy.

"The Japanese Embassy at the request of the Japanese military authorities beg to respectfully direct the attention of the representatives of the third powers in China to the following items and to their kindly compliance with requests hereinafter mentioned:

(1) To place marks clearly visible both from the air and distance on land on the properties owned by the nationals of the third powers within the area between the Yangtze and Yellow Rivers and to report thereof to the Japanese Embassy at the earliest date with accompaniment of clear designations of such properties on maps. The similar request was made some time ago but owing to the fact that the result has not been fully satisfactory the despatch of the present note [was?] necessitated.

(2) To give a due warning by the third powers to the authorities of General Chiang Kai Shek against Chinese military forces approaching their properties and also guard their use for military purpose; and to hold General Chiang's authorities responsible for all the consequences arising in the event the warning is unheeded.

(3) The representatives of the foreign powers are requested likewise to give warnings to the authorities of General Chiang Kai Shek against the use and abuses of their national flags on the properties of their respective nationals. When the flags are abusively employed in spite of the warnings, their legitimacy shall not be recognized; furthermore when they become confused with the flags legitimately used the Japanese military will be unable to bear the responsibility for the infringement of flags which might occur as a consequence arising under such circumstances.

(4) To safeguard the life of the third nationals it is deemed highly advisable for them to seek refuge temporarily into a safer zone as the line of hostilities approach them.

The Japanese military authorities heretofore have zealously endeavored to respect the life and property of the nationals of the third powers in China and also to minimize their damages. In view, however, of the fact that the measures taken by the third powers have proven insufficient, the Japanese Embassy earnestly hope that the representatives of the third powers will, having a full understanding of the existing hostile conditions in their true light and the true intention of the Japanese military in their sincere effort for minimizing the damages, pay the most strict attention to the request hereinabove made."

<sup>95</sup> *Foreign Relations, Japan, 1931-1941, vol. I, p. 576.*

2. In delivering the "note" the Japanese Secretary stated that it was being delivered to the American Embassy only because it was being sent to other Embassies and Legations, that it could be regarded merely as a "copy" of what was being sent to the other Missions inasmuch as the American Embassy had responded so adequately to the first note of this character (quoted in the above mentioned telegram) and that it was not desired that this Embassy take any action as a result of receiving this "note".

3. Unless otherwise instructed I shall acknowledge the receipt of the "note" in memorandum and repeat the American Government's position as described in the Department's 7 of January 7, 7 p. m.<sup>96</sup>

4. A statement in English entitled "Statement by the Headquarters of the Japanese Forces in North China" was handed to foreign press correspondents this morning at the Japanese press conference. This statement refers to "extreme inconveniences" the Japanese Army has undergone in offensive operations because of its policy of protecting life and property of third powers although the Chinese military have at times attempted to embroil Japan with third powers by concentrating their forces nearest property of nationals of third powers, describes an incident wherein Chinese forces allegedly used the flag of a third power, refers to the Japanese note quoted in the above mentioned telegrams, states that some (diplomatic) representatives have not as yet supplied the necessary data and outlines the four points contained in and the final paragraph of the "note" quoted in this telegram.

Repeated to Hankow.

SALISBURY

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893.61331/96 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, April 12, 1938—5 p. m.  
[Received April 12—11 a. m.]

226. Tsingtao's March 21, 5 p. m.<sup>97</sup>

1. An American official of the Tientsin office of the Yee Tsoong Tobacco Company, Limited (B. A. T.—British registered) informed the Embassy April 11th in confidence that his firm expects within the next day or two to sign a contract with a representative of the Federal Reserve Bank and a Japanese officer for the purchase with foreign currency of Federal Reserve Bank notes totaling \$9,000,000 for the purpose of buying tobacco in Shantung through the firm's buyers,

<sup>96</sup> *Foreign Relations, Japan, 1931-1941, vol. I, p. 564.*

<sup>97</sup> Not printed.



chiefly American citizens, that the *quid pro quo* is to be adequate protection by the Japanese military of the company's buyers at four specified points on the Tsingtao-Tsinanfu Railway, that notes totaling \$1,000,000 are to be purchased immediately, and that subsequent purchases will be contingent upon the adequacy of the protection given by the Japanese military. The Embassy's informant stated that although the buying season is usually over by the end of February the condition of the tobacco will be satisfactory if purchase of the present harvested crop be completed before July 2. The firm's buyers are to proceed to the railway stations of the four specified towns and are to reside in the stations, if necessary, under the protection of Japanese military. The official of the firm stated that he was fully cognizant of the possible danger to the buyers from guerrilla operations and that the firm does not propose to have its employees take unreasonable risks. He suggested that the American Consul at Tsingtao be directed to ask the Japanese authorities prior to the departure of the American buyers to afford adequate protection to them.

3. [*sic*] Notwithstanding the facts that the contract is in the nature of a private agreement between a British firm and certain Chinese and Japanese authorities and that the travel of Americans to unsafe places should be discouraged, the Embassy is of the opinion that the Consul at Tsingtao should be instructed that after pointing out to the Americans concerned the possible risks involved in their intended travel he should ask the appropriate Japanese authorities that adequate protection be accorded by the Japanese military.

4. If the purchase of the Federal Reserve Bank notes proceeds as planned it would appear that the position of the bank will be improved by its guaranteeing of a substantial amount of foreign exchange and by the wider circulation of the notes.

Repeated to Ambassador.

SALISBURY

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893.61331/98 : Telegram

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

HANKOW, April 13, 1938—4 p. m.  
[Received April 13—2:05 p. m.]

206. Peiping's 226, April 12, 5 p. m., paragraph 3. In view of our attitude in regard to American citizens visiting areas that are dangerous, and particularly in view of the fact that in this case Americans in question are cooperating indirectly with, and ask directly the protection of, one party to present hostilities in area that is very much

disturbed, and considering that activities in question could not be carried out by these Americans except under the armed protection of one of the parties to the present hostilities, it is my opinion that American Consul at Tsingtao should be instructed to warn American citizens that they proceed at their own risk and that he should refrain from requesting Japanese military protection for purposes indicated.

Repeated to Peiping.

JOHNSON

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893.115/242 : Telegram

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

WASHINGTON, April 13, 1938—6 p. m.

105. Your 225, April 12, 4 p. m., paragraph 3. In view of the character of the Japanese "note" and the manner of its delivery and in view of the fact that the Japanese Government has already been fully informed of the position of the American Government, you should not, unless subsequently instructed to the contrary, make any acknowledgment or reply to the Japanese Embassy. Reference is made in this connection to Department's 63, February 18, 5 p. m., to Tokyo, repeated to Hankow in Department's 76, February 18, 5 p. m.,<sup>98</sup> as well as to the Department's 7, January 7, 7 p. m.<sup>99</sup>

HULL

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893.61331/98 : Telegram

*The Secretary of State to the First Secretary of Embassy in China (Salisbury), at Peiping*

WASHINGTON, April 14, 1938—4 p. m.

106. Reference Hankow's 206, April 13, 4 p. m., and your 226, April 12, 5 p. m., and 229, April 13, 4 p. m.<sup>1</sup> The Department concurs in the opinion of the Ambassador that the Consul at Tsingtao should be instructed to point out to the Americans concerned the serious dangers involved in their intended travel and to advise them against taking such risks; and that the Consul should refrain from requesting Japanese military protection for Americans proceeding to the railway towns for the purposes indicated.

HULL

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<sup>98</sup> Not printed; but see note of February 21, from the Ambassador in Japan to the Japanese Minister for Foreign Affairs, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 586.

<sup>99</sup> *Ibid.*, p. 564.

<sup>1</sup> Telegram No. 229 not printed.

393.1115/3090 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, April 15, 1938—noon.  
[Received April 15—9:35 a. m.]

93. An article appearing in yesterday's issue of the *Nanking Min Pao* states that according to information received from the Japanese Consulate General the number of Japanese residents in Nanking on March 31st was 810, there being 420 males and 390 females. As statement was also made regarding the types of business engaged in by the Japanese which shows there are 45 different occupations including following: flour mill, architect, theater, insurance, printing, electrical supplies, photographic supplies, physicians, transportation, pharmacist, foodstuff supplies, hotel, restaurant, tea shops, wine and spirits dealers, and toilet supplies.

While restrictions on movements of foreigners in this area are being loosened to some extent, as evidenced by Shanghai's 536, April 14, 9 a. m.,<sup>2</sup> and the fact that a German journalist is coming to Nanking this evening from Shanghai, there is no indication that foreign businessmen in general will be permitted to return either to close up former activities no longer profitable or to resume business. It is believed that unless some special stand is taken, by the time American and other foreign businessmen are allowed to return, they will find their former fields of activity taken over, for the most part, by Japanese.

Sent to Hankow, Peiping and Shanghai. Peiping please forward by courier to Tokyo.

ALLISON

393.115/249

*Memorandum by the Assistant Chief of the Division of Far Eastern Affairs (Ballantine) of a Conversation With the Counselor of the Japanese Embassy (Suma)*

[WASHINGTON,] April 18, 1938.

Mr. Ballantine took occasion, when Mr. Suma called in connection with another matter, to bring up the question of permission for Americans to return to Nanking and Soochow. Mr. Ballantine informed Mr. Suma substantially as follows:

American residents who had formerly lived or had business interests in Nanking or at Soochow have experienced considerable difficulty in obtaining permission from the Japanese military authorities

<sup>2</sup> Not printed.

to enable them to return to these places. Four months have now elapsed since the Japanese entry into these cities, and our reports indicate that there is at this time no element of danger which would of itself make it unwise for Americans to reside there. These Americans have regular tasks of business, mission and other enterprises, which they naturally desire to resume at the first opportunity. With regard to Consul Allison's representation at Nanking, the Japanese military have taken the stand that if anything should happen to foreigners at Nanking the Japanese military would be morally responsible and they do not wish to take the risk. On the other hand, there are over eight hundred Japanese civilians now residing in Nanking and they have taken up various types of business in the city. Naturally, if Japanese civilians are residing in Nanking and Soochow in large numbers and Americans are prevented from returning, it will tend to produce a very unfavorable effect in this country.

Mr. Suma said he would take up the matter with his Government.

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893.76/94 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, April 25, 1938—5 p. m.

[Received April 25—11 a. m.]

579. Department's 280, April 22, 7 p. m.<sup>3</sup> Information obtained from reliable source is to the effect that Japanese have brought 10 kilowatt transmitter to Shanghai capable of direct communication with the United States and Europe. Erection of transmitting station in Kiangwan outside International Settlement is nearing completion and Japanese plan to open circuit for commercial traffic about May 15.

LOCKHART

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393.115/253 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, April 26, 1938—9 a. m.

[Received April 26—8 a. m.]

580. Two American missionaries for whom passes were obtained at the end of March to return to Soochow have just returned to Shanghai at the request of the Japanese military authorities in Soochow. The latter informed them that military reasons necessitated this request which it was stated was made upon instructions received from the higher military authorities in Shanghai.

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<sup>3</sup> Not printed.

The missionaries concerned described the situation in Soochow as ominously tense because of the presence of large Chinese guerrilla units outside the city, the rumored presence of several thousand guerrillas inside the city and a greatly reduced Japanese garrison; they expressed the opinion that the tense situation prevailing in and around Soochow made the request of the military authorities not unreasonable.

Repeated to Hankow, Peiping and Nanking.

LOCKHART

893.512/1519

*The American Consul General at Shanghai (Lockhart) to the Japanese Consul General at Shanghai (Hidaka)*<sup>4</sup>

SHANGHAI, April 28, 1938.

SIR AND DEAR COLLEAGUE: I have the honor to refer to your letter of April 26, 1938, transmitting a memorandum in response to the memorandum handed to Consul General Okamoto by Consul General Gauss on January 18, 1938.<sup>5</sup> The latter memorandum pointed out that the Consolidated Taxes are security for the cotton, wheat and flour credits granted to China in 1931 and 1933 by agencies of the United States Government and reserved the right to hold the Japanese authorities accountable for any actions by persons nominated, appointed or acting at the instance or under the direction of the Japanese military or other authorities disregardful of American interests in the matter.

I have forwarded a copy of your memorandum to the Department of State, but feel that I must point out that it appears to me that your contention that the principal and interest of the cotton, wheat and flour credits of 1931 and 1933 have been and are being paid out of the Chinese Customs Revenue has no direct bearing on the matter.

This office is not informed whether all or any part of the payments have been made from the Chinese Customs Revenues but, in case they have been made therefrom, the fact remains unchanged that, although also secured on the five percent flood relief customs surtax, the consolidated obligation of the Chinese Government held by the Export-Import Bank of Washington, D. C., is primarily secured upon the consolidated taxes and becomes immediately due and payable in full from either or both these revenues at the option of the Export-Import Bank of Washington if any installment of principal or interest on the consolidated obligation is not paid promptly when due.

I must therefore insist that no action shall be taken or countenanced by the Japanese authorities in the areas from which the legitimate

<sup>4</sup> Copy transmitted to the Department by the Consul General in his despatch No. 1396, April 30; received May 23.

<sup>5</sup> None printed.

Chinese authorities have withdrawn which fails adequately to take into account the aforementioned obligation to the Export-Import Bank of Washington, and I take this opportunity to reassert that the right to hold the Japanese authorities accountable for action disregarding of American interests in the matter is fully reserved.

I have [etc.]

FRANK P. LOCKHART

893.512/1515 : Telegram

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

HANKOW, May 4, 1938—11 a. m.

[Received May 4—5 a. m.]

234. Tientsin's 88, May 3, 4 p. m.<sup>6</sup> Unless Department perceives objection thereto, I propose to inform Tientsin that Embassy perceives no objection to American owners of property in Tientsin Consular District informing local authorities of status of their titles to property through the Consul General. It is my opinion that Consulate General should notify American citizens that payment of taxes on this property should be made under protest.

Repeated to Peiping and Tientsin.

JOHNSON

893.512/1515 : Telegram

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

WASHINGTON, May 5, 1938—4 p. m.

141. Your 234, May 4, 11 a. m. The Department perceives no objection to your proposed instruction to Tientsin.

HULL

393.1164 University of Shanghai/21

*Memorandum by the Assistant Chief of the Division of Far Eastern Affairs (Ballantine) of a Conversation With the Counselor of the Japanese Embassy (Suma)*

[WASHINGTON,] May 5, 1938.

Mr. Suma referred to Mr. Ballantine's conversation with him of April 18<sup>7</sup> in regard to the question of the vacating by the Japanese military of the property of the University of Shanghai. Mr. Suma said that following that conversation the Embassy had telegraphed

<sup>6</sup> Not printed.

<sup>7</sup> Memorandum of conversation not printed.

the Foreign Office and urged, in view of the wide interest throughout this country in the University, that this matter be given prompt attention. Mr. Suma said that a reply had now been received from the Foreign Office to the effect that it had taken this matter up with the military authorities, who indicated to the Foreign Office that the Japanese army desired to purchase the property belonging to the University and were taking up the matter with the American representatives of the University at Shanghai. Mr. Ballantine expressed surprise and said that he had not heard of such an approach by the Japanese military authorities to the representatives of the mission and he would therefore make inquiries regarding this point. He asked Mr. Suma, however, whether in the event that the mission did not wish to sell the Japanese military authorities would vacate the property. Mr. Suma did not have any comments to make on this point. Mr. Suma said, however, in this general connection that the Japanese military had indicated that they would vacate by the end of May the property belonging to a Baptist mission school near Chapei.

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793.94/12982 : Telegram

*The Vice Consul at Amoy (Altaffer) to the Secretary of State*

AMOY, May 10, 1938—noon.

[Received May 10—7:56 a. m.]

Amoy Island bombarded since 4 a. m. by combined Japanese naval and aerial units in most severe attack since the beginning of hostilities in southwestern China. Leaflets dropped by Japanese planes warned foreigners to leave Amoy Island as they intend to occupy island and clear it of Chinese forces.

ALTAFER

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393.115/261 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, May 11, 1938—11 a. m.

[Received May 12—8:10 a. m.]

639. Department's 226, March 23, 8 p. m., regarding the refusal of the Japanese authorities to permit Americans to proceed to points in the interior in connection with missionary or business activities.

In spite of repeated representations made to local Japanese authorities very little progress has been made in obtaining passes for American missionaries to visit or return to their mission stations.

During April passes were obtained for 1 missionary to return to Sungkiang and 2 to Soochow. However, the latter were subsequently requested by the Japanese military to leave on the plea that conditions there were unsafe. As regards Nanking, passes for 2 doctors and 2 nurses were obtained from the Japanese military authorities but it has been impossible to obtain any additional passes for American missionaries desirous of returning to Nanking or to other cities.

With reference to return of American businessmen to the interior, the situation is even more unsatisfactory. Applications have been made for passes in behalf of several large American firms to permit their men to return either for purposes of brief inspection and the checking of losses or for the reopening of their respective businesses. The attitude of the local Japanese authorities is set forth in a letter dated April 27 from the Japanese Consul General in reply to representations made regarding the reopening and reoccupation by the Standard Oil Company of its installation at Chinking, Nanking, and Wuhu. The Japanese Consul General stated that, "I regret to state that I have not been advised by our military authorities to inform you that peace and order in and around the above-mentioned places are restored to such an extent as to enable them to comply with the request of the said company." Actually conditions in the cities to which Americans seek to return are sufficiently tranquil although Chinese guerrillas are active in the surrounding countryside. Furthermore many Japanese merchants and their families are to be found in all such places.

This whole question is becoming increasingly urgent, firstly, because several missionary properties at Soochow, Liuho, Changshu, Wusih, and Yangchow have been vacated as the result of recent Japanese troop transfers and the missionary societies concerned are extremely anxious to despatch representatives to reoccupy and preserve such properties and, secondly, because American trade is likely to be seriously affected by continued Japanese refusal to permit American merchants to resume their activities or even to make visits of inspection and take steps to prevent further deterioration of stocks and equipment.

I am continuing to press the Japanese authorities here having discussed the whole question at length yesterday with the Counselor and First Secretary of the Japanese Embassy but it appears to me to be desired that further representations be made to the Japanese Government.

Repeated to Hankow, Peiping, Nanking, and Tokyo.

LOCKHART



793.94/12999: Telegram

*The Vice Consul at Amoy (Altaffer) to the Secretary of State*

AMOY, May 11, 1938—7 p. m.  
 [Received May 11—12:20 p. m.]

Amoy City and hinterland on Amoy Island were occupied today by Japanese landing forces under cover extensive aerial and naval bombardment. Japanese now clearing island of straggling Chinese troops who were isolated from main force and trapped in hills near city. It is estimated 60,000 Chinese took refuge in International settlement of Kulangsu during last 2 days. Americans all safe on Kulangsu or inland stations in district.

Repeated to American Embassy [at] Hankow, American Embassy [at] Peiping, American Consul [at] Canton, American Consul [at] Foochow.

ALTAFFER

493.11/2132

*The Netherlands Legation to the Department of State*<sup>8</sup>

## AIDE-MÉMOIRE

During the hostilities which took place at Shanghai last year, several properties of Netherlands subjects suffered damage through bombardment, etc. These Netherlands subjects have now requested the Netherlands Government to claim for them compensation for sustained losses and damages of the Japanese and Chinese Governments. The Netherlands Government however is of the opinion that various questions arise in this connection.

First of all the question arises whether sufficient legal grounds can be found for the claiming of these losses and damages considering they resulted from warlike acts committed by the Japanese and Chinese armies.

If in these cases the view is held that the damages resulted from acts of war, the Hague Convention respecting the laws and usages of war on land and the thereto annexed regulation should be considered applicable.<sup>9</sup> Article 23 of this regulation rules that the destruction and seizure of enemy possessions is prohibited except in cases when such destruction or seizures are imperatively required by the necessities of war. As it is generally accepted that neutrals cannot claim a better treatment as far as their properties are concerned as nationals

<sup>8</sup> Handed to Mr. Hugh S. Cumming, Jr., of the Division of European Affairs by the Counselor of the Netherlands Legation on May 12.

<sup>9</sup> Signed October 18, 1907, *Foreign Relations*, 1907, pt. 2, pp. 1204, 1207, and 1211.

of the enemy country, it seems that in this case compensation could only be claimed if it could be proved that the damage resulted from "indiscriminate, wanton or general destruction" or "gross negligence".

It naturally depends upon the circumstances of every specific case whether this has actually been the case.

If however the hostilities in China should not be regarded as acts of war in view of the fact that war has not been formally declared, the question arises whether the fighting parties can be held responsible for the sustained losses in question. At first sight it seems very difficult to find a legal basis for the claiming of damages which so directly resulted from military acts perpetrated in the territory of one State by the regular army of that State and/or by the invading army of another State, unless the claim be based on the fact that the damages resulted from acts committed by Japan or China in disregard of international law and for that reason one of these States would be held responsible for all the damages in question.

It however is extremely doubtful that the Japanese and Chinese Governments would ever be prepared to assume such a responsibility. Still—if the information received is correct—it seems that at the outset of the "incident" the United States, British and French Governments declared to hold the Japanese Government responsible for all losses sustained by their respective nationals resulting from the above mentioned hostilities.

As the Netherlands Government however is not sure that this information is correct it should highly appreciate to be informed whether such a declaration has indeed been made by the United States Government.

Moreover still another question arises in this connection, i. e. whether the properties in question which suffered damages, can be deemed to actually belong to Netherlands (and foreign) subjects, since real estate located outside the International and French concessions can not be owned by foreigners. In practice this difficulty was overcome by having the respective properties registered at the Chinese Law Office in the name of one or other Chinese who held the property "in trust" for the actual owner. Although this question is of no avail in case the view is held that the damages resulted from acts of war considering that in a formal war, as pointed out above, neutral properties are not in a more favorable position than properties belonging to nationals of the enemy country, the difference in nationality of the actual owners might be of importance in case other rules should be held applicable than those of the Hague Convention respecting the laws and usages of war on land.

As undoubtedly many cases have occurred in which properties of American subjects have suffered damage resulting from the above re-

ferred to hostilities, the Netherlands Government should be most interested and appreciative to learn if possible which line of action the United States Government is taking in this matter.

893.1115/3172 : Telegram

*The Consul at Foochow (Ward) to the Secretary of State*

FOOCHOW, May 13, 1938—7 a. m.  
[Received 10:35 a. m.]

One hundred American nationals (43 men, 53 women, 4 children) are now in this consular district, 63 of whom (including self and naval radio-man) are in Foochow, remaining 37 being distributed among interior points as follows: Chungan 1, Diongloh 2, Futsing 3, Ingtai 3, Kiehnow 8, Kienyang 1, Kutien 5, Mintsing 2, Nanping 3, Pucheng 1, Putien 5, Shangowu 1, Sienku 2.

If and when attack on Foochow begins, river barrier will probably be closed, making evacuation of Americans then here impossible. Some Americans might be willing to leave before beginning of the attack, but great majority will doubtless refuse to go.

It is therefore very desirable that Tsangchienshan, the area in which majority of the foreigners in Foochow live, should, in case of attack on the city, be regarded by both combatants as a temporary safety zone. If recognition of this fact on the part of the Japanese command and of local military authorities could be assured in advance (without implying any abatement of the obligation to respect American lives and property wherever they may be) it would be feasible to concentrate as many Americans in that area as could be prevailed upon to leave their present posts.

British Consul to whom I informally broached the subject yesterday appears to be in full agreement, and I am confidentially informed that Government has received an order from Hankow regarding steps to be taken to safeguard foreign lives with which this suggestion would accord.

It is respectfully suggested that, if the Embassy regards such action desirable, and if there are no other objections to such a course, steps be taken to communicate in the premises with the Japanese authorities, and this Consulate be authorized to take appropriate action locally.

Maps of Nantai Island and Foochow City showing location of all American property are being prepared and will be transmitted as soon as possible.

To Hankow. Repeated to Department, Peiping and Shanghai.

WARD

893.512/1517: Telegram

*The Consul General at Tientsin (Caldwell) to the Secretary of State*

TIENTSIN, May 13, 1938—5 p. m.  
 [Received May 13—10:25 a. m.]

Your May 7, 10 a. m.<sup>10</sup> In view of the fact that my colleagues, other than German and possibly Japanese, do not intend to comply with the Chinese request regarding land tax as stated in my telegram of May 7, 3 p. m.<sup>11</sup> and confirmed to me again today, is it still desired that Americans be advised to comply with request and pay tax under protest?

Sent to Embassy, Hankow, repeated to Peiping.

CALDWELL

393.1115/3173: Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, May 13, 1938—7 p. m.  
 [Received 8:15 p. m.]

658. The Japanese Minister, Mr. Tani, through the Japanese Consul General at Shanghai has communicated to all diplomatic and consular officers at Shanghai in writing a notice that with the development of military operations in Kiangsu, Anhwei, and Honan south of the Yellow River and especially along the Lunghai-Tsinpu and Peiping-Hankow Railways it is the earnest wish of the Japanese military forces that all foreign nationals in those areas immediately evacuate to safer places "in order to avoid possible dangers to their lives and property from aerial bombing and land fighting." Mr. Tani's letter states that in case foreign nationals take refuge in areas under Japanese control the contact will accord them as much protection as possible. It is essential that the foregoing information be brought to the notice of American citizens in the areas described.

I propose to acknowledge the receipt of the notice in substantially the same sense of the penultimate paragraph of the Department's telegram No. 63, February 18, 5 p. m. in reply to Tokyo's 108, February 16, 7 p. m.<sup>12</sup>

Repeated to Hankow and Peiping.

LOCKHART

<sup>10</sup> This telegram from the Embassy in China repeated the Department's telegram No. 141, May 5, 4 p. m., p. 313.

<sup>11</sup> Not printed.

<sup>12</sup> Neither printed, but see note of February 21, from the American Ambassador in Japan to the Japanese Minister for Foreign Affairs, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 586.

393.115/264 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

Tokyo, May 14, 1938—11 a. m.

[Received May 14—1:15 a. m.]

308. Department's 168, May 13, 6 p. m.<sup>13</sup>—return of American citizens to interior points in China. We perceive no objection whatever to our making formal representations to the Japanese Government in continuation of those already made (see our 125 [225], April 4, 1 p. m. and despatch No. 2885, April 12<sup>14</sup>). We have subsequently raised this question, together with that of continued occupation of American properties, with the Foreign Office a number of times, and we were told that a plan for satisfactorily concluding these questions is being actively prepared. Nevertheless I shall make further statement early next week unless instructed to the contrary.

Repeated to Shanghai for Hankow.

GREW

793.94/13018 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, May 14, 1938—1 p. m.

[Received May 14—7 a. m.]

295. 1. A reliable American who has just come from Paotingfu, Hopei, states that this Japanese occupied city is virtually in a state of siege from Chinese troops affiliated with the 18th Army Corps (formerly 8th Route Army) some 20,000 with headquarters at Chichow (Anping) about 20 miles to the southeast having gathered in the vicinity since the withdrawal in April of Japanese garrisons from small towns near Paotingfu. He states that there are frequent skirmishes between Chinese and Japanese soldiers in the outskirts of Paotingfu, that the Chinese have torn up roads within 2 or 3 miles of the city, the railway is constantly being damaged by Chinese soldiers and interrupted, the Japanese withdraw at night to a barricaded section and Chinese troops come nightly into the city.

2. Informant states that shells directed May 7 at Chinese soldiers in the south suburb by a Japanese armored train endangered the American Board Mission there, 2 falling in the mission compound, 2 near by and 1 further shell slightly damaging a mission building. The mission brought this to the attention of the local Japanese garrison and was informed that no guarantee against recurrence could be given

<sup>13</sup> Not printed; comment was asked upon the last paragraph of Shanghai's telegram No. 639, May 11, 11 a. m., p. 314 (393.115/263).

<sup>14</sup> Latter not printed.

since Chinese soldiers in the vicinity must be attacked. The mission thinks however that more care will be taken by the Japanese in the future but does not wish an official protest to be made.

3. There are 10 Americans in Paotingfu, 2 men and 2 women in the Presbyterian Mission. The Embassy suggested to the informant that their position appeared too dangerous for them to remain but he indicated that all the missionaries including the women were unwilling to leave.

4. Repeated [to] Embassy [at] Hankow and Shanghai.

SALISBURY

893.61831/103 : Telegram

*The Consul at Tsingtao (Gourley) to the Secretary of State*

TSINGTAO, May 14, 1938—2 p. m.

[Received 5 : 50 p. m.]

Embassy's April 15, 2 p. m.<sup>15</sup> Conditions along the railway between Tsingtao and Tsinanfu have greatly improved since April and trains are again running regularly. Japanese officials have promised British-American Tobacco Company protection for its tobacco buyers. Officials of the company who recently went into interior consider the situation much better. Eleven American citizen tobacco buyers are among those who intend to go to Ershihlipu on May 24, 25 and 26. No assistance or advice has been requested from this Consulate and unless the Department instructs otherwise no advice against taking risks will be voluntarily given to individual buyers. An official of the company states that the company would not let the men go if it were considered unsafe and believes it would needlessly frighten them if the Consulate should now advise them against taking risks.

GOURLEY

393.1115/3173 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, May 14, 1938—2 p. m.

318. Your 658, May 13, 7 p. m. Department approves your proposed action and suggests that in drafting your reply you also be guided by the ante-penultimate paragraph of the Department's 63, February 18, 5 p. m.<sup>16</sup>

HULL

<sup>15</sup> Presumably repeating the Department's telegram No. 106, April 14, 4 p. m., p. 309.

<sup>16</sup> Not printed; for note of February 21, from the American Ambassador in Japan to the Japanese Minister for Foreign Affairs, see *Foreign Relations, Japan, 1931-1941*, vol. I, p. 536.

393.1115/3183 : Telegram

*The Consul at Foochow (Ward) to the Secretary of State*

FOOCHOW, May 15, 1938—4 p. m.

[Received May 15—9 a. m.]

My May 13, 7 a. m., paragraph 4. Admiral Li has just assured me that closing of barrier is not now contemplated, and that even if it is closed, it would not be rendered impassable for small boats; that passage over it of small boats will continue possible indefinitely.

To Hankow and Peiping.

WARD

793.94/13032 : Telegram

*The Vice Consul at Amoy (Altaffer) to the Secretary of State*

AMOY, May 16, 1938—6 p. m.

[Received May 17—7:20 a. m.]

Amoy Island and City occupied by Japanese and under martial law. City and rest of the island almost completely deserted, about 60,000 Chinese taking refuge in International Settlement [at] Kulangsu. Japanese have ordered few remaining Chinese to evacuate.

Senior Consul, Commander [of] *Asheville*, with Commander of the South China Patrol, called on Japanese Rear Admiral Migata and arranged for transfer of 5,000 bags of rice from Amoy to Settlement temporarily averting serious food shortage, also arranged for obtaining water supply from reservoir in Amoy. Arrangements were made through this office for shipment of food supplies from Hong Kong and have requested American Red Cross [at] Manila [to] send two Red Cross units fully equipped to assist with sanitary work of Settlement, which so far satisfactory but personnel and supplies inadequate in case of emergency.

Situation in Amoy quiet and also in Settlement, although American and British marines and local police patrol Settlement. Twenty-nine Americans safe in International Settlement. I have not been able communicate with nine Americans on mainland but messenger sent today.

To Hankow. Repeated to Peiping, Canton, Shanghai, Swatow, Foochow and Hong Kong.

ALTAFFER

393.1115/3192 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, May 17, 1938—10 a. m.

[Received noon.]

675. Following from Hankow.

"May 16, noon. Reference telegram May 13, 7 a. m. from Foochow regarding protection of Americans there. Please expedite reply, repeat Foochow's telegram to Tokyo and add following:

'Unless you see reasons to the contrary, I suggest that it would be advisable to notify Japanese Government of concentration of American nationals at Tsangchienshan at Foochow, and in addition supply list of places in the interior at which Americans now are.'

You will doubtless wish to make similar communication to the Japanese authorities at Shanghai. Please repeat to Washington. Johnson."

LOCKHART

893.61331/103 : Telegram

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

WASHINGTON, May 17, 1938—6 p. m.

149. Peiping's 299, May 16, 11 a. m.,<sup>17</sup> and Tsingtao's May 14, 2 p. m. The Department questions the advisability under present conditions of refraining from cautioning the Americans concerned against incurring the risks which would seem to be attendant upon traveling to and residing in interior points in Shantung at this time. Unless you have information indicating that the proposed trip to the interior would not be likely to be attended by undue risk, the Department suggests for your consideration the possible advisability of instructing Tsingtao to express to the official of the company a word of caution. For guidance see Department's 106, April 14, 4 p. m., to Peiping.

HULL

893.76/99

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

No. 1435

SHANGHAI, May 17, 1938.

[Received June 20.]

SIR: I have the honor to refer to my despatch no. 1384 of April 26, 1938,<sup>17</sup> concerning the progress of Japanese plans to establish a power-

<sup>17</sup> Not printed.



ful transmitter on the outskirts of Shanghai capable of direct radio communication with the United States and Europe.

For the further information of the Department there is transmitted a copy of a letter dated May 11, 1938, together with the enclosure thereto, received from the Mackay Radio and Telegraph Company. It will be noted that the Japanese have created several transmitters for the purpose of operating a direct service with the United States, that successful tests have been conducted and that the Communications Attaché of the Japanese Army has approached the Mackay Radio and Telegraph Company and requested permission to use the company's circuit for this service on the same terms and conditions as formerly were in force with the Chinese Ministry of Communications. It was subsequently learned that the Japanese had addressed a similar request to R. C. A. Communications, Inc., and that both companies had agreed to permit the Japanese to open a direct service over their circuits on the same terms and conditions as previously in force. The service was inaugurated on May 14, 1938, and is reported to be functioning in a moderately successful manner.

With reference to Japanese plans, mentioned in my despatch no. 1384 of April 26th, to establish a communications company to control all Japanese radio, telegraph and cable activities in this area, it is understood from R. C. A. Communications, Inc., that no company has yet been formed. This appears to be due in large measure to the fact that three different Japanese groups, namely, the Japanese military, Japanese commercial radio and cable interests, and the Japanese Ministry of Communications, are involved and thus far have not been able to compose their differences and reach an agreement as to the composition of the company, the exercise of control and other pertinent matters.

With reference to the final paragraph of the letter from the Mackay Radio and Telegraph Company regarding a plan whereby it was proposed that the British Radio Company of Shanghai should work with the Globe Wireless Company, it has been learned from a representative of the Robert Dollar Company, which owns and controls the Globe Wireless Company, that the contemplated arrangement has in fact been abandoned. However, it was stated that the Robert Dollar Company is still negotiating with the Chinese Ministry of Communications for permission to operate a service to the United States through the Globe Wireless Company, as mentioned in this office's despatch No. 1322 of April 4, 1938.<sup>19</sup>

Respectfully yours,

FRANK P. LOCKHART

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<sup>19</sup> Not printed.

701.0093/234 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, May 18, 1938—4 p. m.  
[Received May 19—7:30 a. m.]

305. Embassy's 298, May 15, 1 p. m.<sup>20</sup>

1. I have today sent the following formal note to the Japanese Counselor:

"I have the honor to refer to my letter of May 12 to Mr. Shimadzu of your Embassy who is in charge of Japanese consular police in which I stated, in my capacity as president of the Administrative Commission of the Legation quarter, that the Japanese authorities are without right to interfere with free passage through any street in the Legation quarter; to my oral representations on the morning of May 14 in regard to interference by Japanese consular police with free movement along Legation Street; to my several oral representations during the evening of May 14 in regard to interference with free movement in the Legation quarter by Japanese soldiers stationed with fixed bayonets on Legation Street, in the park along Canal Street, and at the entrance to premises of this Embassy occupied by Third Secretary Lyon and interference by Japanese consular police stationed in Legation Street; to my oral representations on the morning of May 16 in regard to interference with free movement along Legation Street by a Japanese consular police; to my oral representations on the morning of May 17 in regard to interference with free movement through the East Gate of Legation Street by Japanese consular policeman; and to my oral representations a few minutes later on the morning of July 17 in regard to the arrival at the foot of the ramp in Wall Street leading up to the American sector of the Tartar Wall of a truck crowded with Japanese soldiers and of several motorcycles ridden by Japanese soldiers and to their stationing themselves there and stopping free omnibus travel along Wall Street between the American Embassy and the American sector of the Tartar Wall.

In regard to the last mentioned occurrence it is to be recalled that Mr. Horiuchi of your Embassy called on me at 10:45 on the morning of May 17 and said that a distinguished visitor accompanied by two or three Japanese consular police would like to take a walk at 11:15 a. m. that day along that part of the Tartar Wall which is under the control of the American Embassy guard. I then arranged with the American guard that the visitor accompanied by the consular police might be assured of an uninterrupted stroll along the American sector. Shortly thereafter in addition to the distinguished visitor and six consular police officers and men (instead of two) one military truck crowded with armed Japanese soldiers and several military motorcycles carrying armed Japanese soldiers arrived in Wall Street. The truck crowded with soldiers stationed itself for several minutes at

<sup>20</sup> Not printed.

the foot of the ramp leading up to the American sector of the Tartar Wall. The soldiers on motorcycles dismounted, drove away the rickshaw pullers at the stand near the entrance of Sankuanmiao (American Embassy property) stationed themselves between the foot of the ramp Sankuanmiao and stopped all traffic along that part of Wall Street. A Japanese in civilian clothes proceeded several hundred feet west along Wall Street to the entrance of the American Marine Quartermaster's compound and after driving away the rickshaw men waiting there for the convenience of American Marines on duty in that compound stopped movement along that part of Wall Street.

I desire to bring to your attention and to request you to bring to the attention of the responsible Japanese military authorities the serious impropriety of sending an armed force into such proximity to the American sector of the Tartar Wall without warning and in contradiction of the information previously supplied by your Embassy of stationing soldiers in Wall Street between American Embassy property (Sankuanmiao) and the ramp leading to the American sector of the Tartar Wall and of interfering with free passage through this street of the Legation quarter.

In view of the circumstances I can only anticipate that the Japanese military authorities responsible will see fit to express their regrets for these abuses of a courtesy which was gladly extended to your Embassy."

2. The visitor referred to in this note is evidently not the visitor mentioned in the telegram referred to above. It is understood that both visitors are leaving Peiping today, not to return.

3. It is recommended that representations be made at Tokyo on the basis of the above note in order that the Japanese military may show greater regard for the established rights of the Legation quarters.

4. There have recently occurred a number of instances of derogation of our rights by Japanese military. The Embassy therefore felt that a formal note was advisable in this instance. In addition to the several occasions of interference with free passage in the Legation quarter mentioned in the note a number of difficulties have been experienced recently with Japanese military at the railway station all of which have now been settled. These instances were chiefly the impeding of the movement of American marines in uniform performing official duties. On one occasion five American marine officers were forced by armed Japanese military into a line of Chinese passengers marshaled for searching.

Repeated to Tokyo and Hankow.

SALISBURY

393.115/267 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, May 18, 1938—5 p. m.

[Received 8:25 p. m.]

306. Reference Shanghai's 639, May 11, 11 a. m. to the Department. Consul Roberts at Chefoo reported in a despatch dated May 2 that the local Chinese authorities, at the instance of the Japanese naval authorities, had stopped all shipments of kerosene and gasoline to the interior from Chefoo. The Japanese Consul informed Roberts that one Japanese naval landing party was having difficulties combating guerrilla forces in the interior and had found it necessary to prevent the shipment to the interior of munitions, foodstuffs and other articles suspected of being used for military purposes by the guerrillas. Roberts obtained permission for a small shipment of gasoline to an American missionary station in the interior and believed that permission would be granted for shipments of supplies to American mission stations. All other shipments, however, are to be stopped, and the trade of the two American oil companies out of Chefoo, amounting to about 5,000 cases weekly, had completely ceased. Roberts had no hope that military restrictions could be arranged. In a telegram of May 17, 3 p. m. he reports that restrictions are still being imposed on commercial shipments to the interior.

I believe that discussion of the matter with the Japanese Embassy here will accomplish nothing and I therefore respectfully suggest that representations be made to the Japanese Government at Tokyo.

Repeated to Hankow and Tokyo.

SALISBURY

701.0093/236 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, May 19, 1938—7 p. m.

[Received May 20—8 a. m.]

321. Peiping's 305, May 18, 4 p. m., violation of the established rights of the Legation quarter. We made today to the Foreign Office oral representations on the basis of Peiping's note to the Japanese Embassy, urging that the Japanese military be directed to respect Legation quarter rights. According to the Foreign Office, the visitors referred to are Prince Kanin the younger and Prince Chichibu and they have already left Peiping. The Foreign Office stated that it

would take up the matter at once with the War Office with a view to appropriate instructions being sent to the military authorities in Peiping.

Repeated to Peiping for Hankow.

GREW

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893.61331/106 : Telegram

*The Consul at Tsingtao (Gourley) to the Secretary of State*

TSINGTAO, May 20, 1938—2 p. m.

[Received May 21—7:45 a. m.]

Your May 18, 4 p. m.<sup>21</sup> The word of caution suggested in your note has been given to tobacco company mentioned. Because of change of manager and intention of sending men into interior the company was reminded in writing on May 13 of contents of Peiping Embassy's April 15, 2 p. m. In my letter I stated that Consulate relied on company to pass the advice on to individual employees. A high Shanghai American official of the company thereupon called and made the statement in the last sentence of my telegram of May 2, 2 p. m. I infer that you approved of my action in merely notifying the company and not sending individual letters to numerous buyers who have not called for assistance or advice. Americans not connected with company have reported that Japanese garrisons on railway as far as Ershihlipu have been strengthened since company was promised protection.

Sent to Hankow. Repeated to Peiping.

GOURLEY

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393.115 Hunt Company, William/25 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, May 21, 1938—4 p. m.

334. Your 671, May 16, 5 p. m.<sup>22</sup> While this Government favors normal pursuit and development of international trade and commercial relations in general and to this end follows the principle of affording appropriate and reasonable protection to American rights and interests abroad, it does not look with favor on transactions which

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<sup>21</sup> Presumably repeating the Department's telegram No. 149, May 17, 6 p. m., p. 323.

<sup>22</sup> Not printed; it referred to the proposed purchase by William Hunt and Company of assets of a Chinese company operating at Tientsin and owning tugboats and lighters. Mr. Hunt had inquired as to the attitude of the Department. (393.115 Hunt Company, William/24)

may reasonably be viewed as designed in whole or in part to obtain protection of property rights or interests by transferring them from the jurisdiction of a Government engaged in hostilities with another to the Government of the United States.

You may, therefore, inform the inquirer that this Government would not look with favor upon transactions of the type under reference and would be very unsympathetically disposed toward any request, if and when made, for support or protection by it of rights or interests thus acquired.

Please repeat to Peiping and to Ambassador at Hankow.

HULL

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893.512/1518 : Telegram

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

HANKOW, May 22, 1938—10 a. m.

[Received May 22—7 a. m.]

262. Your 154, May 21, 2 p. m.<sup>23</sup> Following is my reply to Tientsin's May 13, 5 p. m. in regard to certain land tax matters.

"May [16], 11 a. m. Your May 13, 5 p. m. I suggest that you use your own judgment in this matter and be guided by my May 7, 10 a. m. should you decide to advise compliance."

My May 7, 10 a. m. referred to above repeated to Tientsin the Department's 141, May 5, 7 [4] p. m. and instructed Caldwell to be guided accordingly.

JOHNSON

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393.115/280 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, May 25, 1938—3 p. m.

[Received May 25—1:01 p. m.]

719. 1. As an example of the length to which the Japanese are attempting to drive American commercial enterprises from this area I quote the experience of a large American firm whose up river organization purchases raw materials in what is still Chinese controlled territory. This territory has no road or railway connection with Shanghai, hence the Yangtze River is its only artery of communication.

2. American, British and other foreign commercial craft except Japanese are not permitted to pass through the boom at Kiangyin, situated less than half way between Shanghai and Nanking, and below

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<sup>23</sup> Not printed.

water point of firm's cargo. Chinese flag craft have already been stopped from bringing company's materials to Shanghai and the Nishin Kisen Kaisha now operating the steamers on the Yangtze will only accept Japanese cargo with possible exception of Chinese cargo having Japanese interests but never American or British cargo.

3. Very reliable sources state that cargo policy of Japanese merchant steamers on Yangtze is dictated by Japanese Army.

4. I believe the situation regarding wood oil of Werner G. Smith (see Hankow Embassy's 237, May 4, 2 p. m.<sup>24</sup>) now being held in Nanking is result of similar emasculating policy.

5. Department may wish to consider bringing situation to the attention of the Foreign Office at Tokyo through Ambassador Grew.

Repeated to Embassy [at] Hankow and Peiping.

LOCKHART

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393.1163P92/99: Telegram

*The Secretary of State to the Consul at Tsingtao (Gourley)*

WASHINGTON, May 25, 1938—9 p. m.

Your May 25, 2 p. m., and May 25, 8 p. m.<sup>25</sup> As it appears that the Japanese now desire to question several members of the family of the suspected plain-clothesman, it would seem that that purpose could be effectually accomplished by an examination of the persons concerned conducted by Chinese and Japanese authorities on the Mission premises. The Department therefore considers that the Mission authorities should offer to permit such examination on the Mission premises in the presence of a representative of the Consulate, but considers that they have no obligation to surrender to the Japanese military the Chinese in question, who, it is understood, are not accused of any crime.

It is suggested that you approach your Japanese colleague in regard to this matter and that you endeavor to impress upon him the unfortunate reaction on public opinion in the United States if the Japanese military authorities should insist upon the delivery of the Chinese in question.

Please repeat to Peiping and Hankow.

HULL

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<sup>24</sup> Not printed.

<sup>25</sup> Neither printed. The Japanese were insisting that the American Presbyterian Mission School deliver to them the mother, two sisters, and a young brother of a Chinese suspected plain-clothes man. The mission feared that these relatives might be tortured or maltreated and requested the views of the Department of State. (393.1163P92/98, 99.)

893.1163P92/100 : Telegram

*The Consul at Tsingtao (Gourley) to the Secretary of State*

TSINGTAO, May 26, 1938—5 p. m.

[Received May 26—9:28 a. m.]

My May 25, 2 p. m., and May 25, 8 p. m.<sup>26</sup> American Presbyterian Mission in Tsingtao ordered all refugees to leave school compound and notified Japanese that order had been given. Relatives of suspected man have already left.

Repeated to Hankow, Peiping.

GOURLEY

893.52/458 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, May 27, 1938—noon.

[Received May 27—6:45 a. m.]

327. Following telegram has been sent by the Embassy here to the Ambassador at Hankow:

"May 25, 5 p. m. Tsingtao reports in despatch No. 320 of May 17 that according to the local vernacular press, the Tsingtao Peace Maintenance Commission has promulgated regulations requiring reregistration of land titles between May 16 and September 15. The regulations have not officially been brought to the attention of the Consulate but Gourley states that, unless otherwise instructed, he proposes to inform Americans who may inquire that, (1) the United States does not recognize the Peace Maintenance Commission and its regulations cannot be considered as applicable to Americans, (2) American authorities consider property titles previously issued by the Chinese Government as valid and sufficient, and (3) the Consulate will interpose no objection to voluntary compliance with the regulations by Americans, providing fees for registration are reasonable.

As you have recently instructed Tientsin on a somewhat similar matter, I feel that you may wish to instruct Tsingtao, in the present case. I do not believe, however, that it would be necessary or advisable for Gourley to discuss with inquirers the first point mentioned above and I respectfully suggest that he be instructed to confine his advice to the last two points. I would suggest further that he be asked to ascertain and report by radio the views of his colleagues on this question."

Following telegram has been received from the Ambassador:

"May 26, 1 p. m. Please communicate the following instruction to Tsingtao with reference to Tsingtao's despatch No. 320 of May 17:

<sup>26</sup> Neither printed; see Department's reply, May 25, 9 p. m., *supra*.



'With reference to your despatch No. 320 of May 17, I think it inadvisable and unnecessary for you to advise Americans as suggested in your point number 1. I perceive no objection to your advising them as suggested under points numbers 2 and 3. For your guidance in this matter, in respect to a similar situation arising at Tientsin, the Consulate at Tientsin was not clear [*informed?*] that the Embassy perceives no objection to American owners of property in Tientsin Consular District informing the local authorities of status of their titles to property through the Consul General. With reference to possible payment of taxes to new authorities, Consulate is instructed to notify American citizens that payment of taxes on American property should be made under protest.'

Please repeat your telegram to me and this reply to the Department for its information."

Ambassador's instruction was communicated to Tsingtao in Peiping's May 27, noon.

SALISBURY

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701.0093/238 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, May 27, 1938—1 p. m.

[Received May 27—6:45 a. m.]

328. Embassy's 309, May 20, noon.<sup>27</sup>

1. Embassy has received a note from local Japanese Embassy dated May 26 in reply to our note of May 18.<sup>28</sup> The Japanese note states that the Japanese authorities concerned regret the interference of free movement in certain sections of the Legation quarter by Japanese soldiers and consular police on May 14, 16 and 17 and regret that soldiers and police acted beyond the terms of the understanding between the two in respect to the incident by the American sector of the Tartar Wall. The latter is explained as having been due to the number of different Japanese authorities concerned. The note adds that the concerned Japanese authorities have requested the Japanese Embassy to express their regret to me as president of the Administrative Commission of the quarter in respect to the first instances, and to me as in charge of the American Embassy here in respect to the Wall incident.

2. We consider the matter closed.

Repeated to Embassy [at] Hankow, Tokyo.

SALISBURY

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<sup>27</sup> Not printed.

<sup>28</sup> See telegram No. 305, May 18, 4 p. m., from the First Secretary of Embassy in China, p. 325.

393.1115/3292

*The Ambassador in Japan (Grew) to the Secretary of State*

No. 2958

Tokyo, May 27, 1938.

[Received June 17.]

SIR: With reference to Shanghai's telegram of May 17, 1 p. m., which repeated Foochow's telegram of May 13, 7 a. m., and pertinent portions of Ambassador Johnson's telegram of May 16, noon,<sup>29</sup> regarding a proposed safety area at Tsangchienshan, Foochow, Fukien Province, I have the honor to report that, in accordance with Ambassador Johnson's suggestion, on May 18 the Counselor of the Embassy handed to Mr. Yoshizawa, Chief of the American Bureau of the Foreign Office, a memorandum informing the Japanese Government of the concentration of American nationals at Tsangchienshan and listing the number of Americans at various points in the interior, with the request that this information be communicated to the appropriate military authorities. A copy of this memorandum is enclosed.<sup>30</sup>

Respectfully yours,

JOSEPH C. GREW

393.115/290 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, May 28, 1938—2 p. m.

351. Your 719, May 25, 3 p. m. The Department finds your telegram under reference very helpful.

Before reaching a decision in regard to the question of bringing to the attention of the Japanese Government the subject of interference with American trade in China, the Department would appreciate receiving additional data in regard to items such as the names of the American firm referred to by you and of other American firms, if any, whose business is being subjected to interference, the articles of American export and import trade affected, some instances of stopping Chinese craft from bringing American-owned goods to Shanghai, and any other ascertainable facts.

HULL

<sup>29</sup> Quoted in telegram No. 675, May 17, 10 a. m., from the Consul General at Shanghai, p. 323.

<sup>30</sup> Not printed.

393.115/283 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*<sup>31</sup>

SHANGHAI, May 30, 1938—noon.

[Received May 30—6:30 a. m.]

I have received today through the office of the Senior Consul the following letter addressed to him from the Japanese Consul General dated May 30th and marked urgent:

"I have been requested by our military and naval authorities to secure as soon as possible from the Consul General of the third powers in Shanghai all available information, if possible together with three copies of maps, as to exact location of properties of third powers, both private and Government owned, in the following districts; along the railway of Peiping-Hankow, especially the cities of Chengchow, Sinyang, Hankow, et cetera; in the western districts of the railway of Lunghai, especially the cities of Loyang, Changan, et cetera; along the coast of the Yangtze River, especially the cities of Anking, Kiukiang, Nanchang, Ichang, Chungking, et cetera; along the coast of China Sea, especially the cities of Foochow, Swatow, et cetera. With a view to preventing foreign properties from their becoming involved in the danger of hostilities, it is suggested that all the properties of the third powers located in the above districts be marked with national flags in such a way as can be seen from the land as well as from the air.

I, therefore, have the honor to request you to be good enough to take immediate steps to circulate the above information to our honorable colleagues in the usual way."

This office is taking no action on the request other than to repeat it as indicated below.

Sent to Hankow, repeated to Peiping and Tokyo.

LOCKHART

393.1163P92/103 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, May 30, 1938—5 p. m.

[Received May 30—12:20 p. m.]

733. Hankow's May 27, 4 p. m.<sup>32</sup> This office has just received the following message dated May 26 from Haichow:

"American Presbyterian Chapel only a few feet from American Presbyterian Hospital and American Presbyterian Women's Bible

<sup>31</sup> By direction of the Ambassador in China, this telegram was repeated to Canton, Foochow, Swatow and Amoy, with instructions to send any maps to Shanghai for transmission to Japanese authorities.

<sup>32</sup> Not printed.

School, in same yard with our residence, were bombed on May 24 by Japanese planes causing great damage; residences only very slightly damaged. Chapel and school greatly damaged, in addition our chapel inside the city and at Shaho were bombed and greatly damaged. American flags were prominently displayed at each building. Our residential property is in well-defined area outside the Haichow west gate. Women's Bible School, girls' school and three of our residences are in a large block of property well segregated from other property, not near Chinese property. West gate chapel and hospital compound are also clearly defined and easily distinguishable. Difficult to mistake either of our large compounds. No soldiers occupying any of our property here. Please take steps to prevent further damage to our property and to preclude danger to life. Immediate heavy indemnity would help. Please notify Miss Annie Wilson, Shanghai; our daughter in Korea, and our daughter in America that both of us are safe and unhurt. McLauchlin."

A second message states that the mission was again bombed on May 28, one bomb landing less than 35 yards from McLauchlin's residence, however they were unharmed. McLauchlin requests measures be taken for bombing to be ceased.<sup>33</sup>

This office notifying Miss Wilson and daughter in Korea. Department please notify daughter in America.

Repeated to Hankow, Peiping, and Tokyo.

LOCKHART

493.11/2132

*The Department of State to the Netherland Legation*

AIDE-MÉMOIRE

In the *aide-mémoire* of the Royal Netherlands Legation<sup>34</sup> which was recently left at the European Division of the Department certain inquiries are made relating to questions which are stated to have arisen in connection with claims of Netherlands subjects arising out of the present conflict in China.

As stated orally to the Counselor of the Royal Netherlands Legation on May 17, 1938 by a member of the staff of the Legal Adviser, the Secretary of State, at a press conference held on August 27, 1937, informed the correspondents that this Government had notified both the Japanese and Chinese Governments<sup>35</sup> that this Government reserved all rights on its behalf and on behalf of American nationals

<sup>33</sup> Both the Embassy at Peiping (telegram No. 334, May 31, 3 p. m.) and the Consulate General at Shanghai (telegram No. 764, June 2, 9 p. m.) protested to the Japanese authorities. (393.1163P92/104, 110.)

<sup>34</sup> *Ante*, p. 316.

<sup>35</sup> See note No. 781, August 27, 1937, from the American Ambassador in Japan to the Japanese Minister for Foreign Affairs, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 490, and Department's telegram No. 185, August 26, 1937, 8 p. m., *Foreign Relations, 1937*, vol. IV, p. 289.

with respect to damages to or loss of American property or on account of death or injuries sustained by American nationals as the result of the activities of Japanese or Chinese armed forces in the course of or incident to military operations now in progress in China.

As the Counselor was further orally informed, no claims arising since the beginning of the present conflict have thus far been presented to either Government by this Government except those in which responsibility in connection with particular incidents has been admitted and a readiness indicated to grant compensation covering the damages sustained by American nationals as a result of such incidents. The question of the applicability of the "Regulations respecting the Laws and Customs of War on Land" annexed to the convention signed on October 18, 1907 at The Hague was not raised in connection with the above-mentioned cases, nor was the question raised relating to the ownership of real property in China, to which reference is made in the penultimate paragraph of the Legation's *aide-mémoire*.

WASHINGTON, June 1, 1938.

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393.1164 University of Shanghai/29 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 1, 1938—10 p. m.

[Received June 1—5: 15 p. m.]

753. My No. 644, May 11, 4 p. m.<sup>38</sup> Reference paragraph 3 regarding the return of the property of the American Southern Baptist Mission on Paohsing Road.

I am pleased to report that the above-mentioned property was formally returned by the Japanese authorities to the mission this morning in the presence of the treasurer and two other representatives of the mission, representatives of the Japanese military and consular authorities and a representative of this office.

Repeated to Hankow, Peiping and Tokyo.

LOCKHART

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393.115/294 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 1, 1938—11 p. m.

[Received June 1—5: 25 p. m.]

754. My No. 639, May 11, 11 a. m. regarding return of American missionaries and businessmen to the interior.

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<sup>38</sup> Not printed.

1. Japanese military authorities yesterday agreed to permit the return to Nanking of American missionaries formerly resident there. A total of 10 passes have been issued to such Americans.

2. Although the great importance of permitting a few representatives of American firms, particularly representatives of the Standard Vacuum Oil Company and the Texas Company, to visit Nanking has been strongly pressed by this office and also by Allison while here, little progress has been made.

In discussing this matter with the Japanese Consul General this morning I gained the impression that if only American businessmen were involved the matter might be arranged but that the Japanese are reluctant to establish a precedent which would permit other businessmen, particularly British, to visit and resume trade in the interior.

Repeated to Hankow, Peiping, Nanking and Tokyo.

LOCKHART

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393.115 Dollar Wharf and Warehouse Company/4 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 3, 1938—6 p. m.

[Received June 3—1:45 p. m.]

761. Your 344, May 26, 7 p. m.<sup>87</sup>

1. The incidents referred to in my 692, May 20, 1 p. m.; and 703, May 21, 1 p. m.,<sup>88</sup> were orally protested on May 23, and written protests were also lodged covering the two incidents. There have been no further boardings of American flag vessels except in the case of a Standard Vacuum Oil launch, *Mei Foov*, between 8:00 and 9:00 p. m. on May 20, at which time the Japanese remained on board but a short while and did no harm to either the members of the crew or to the launch. This incident was also brought to the attention of the Japanese Consul General along with the other two incidents.

2. On the occasion of a call on the Japanese Consul General yesterday, I again brought up these cases and was informed that an investigation had been made and that the incidents grew out of the refusal of the Texas Company and Dollar launches to stop on first being hailed and because the Chinese crew were reluctant to give the Japanese military patrol information as regards the destination of the launches, whence they sailed and the reason for being on the river at the time hailed. Consul General Hidaka stated that this reluctance exasperated the Japanese patrol and that this led to their assault upon the

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<sup>87</sup> Not printed; see note of May 30, from the American Ambassador in Japan to the Japanese Minister for Foreign Affairs, *Foreign Relations, Japan, 1931-1941*, vol. 1, p. 591.

<sup>88</sup> Neither printed.

crews of the two vessels. I asked Mr. Hidaka to put his statement in writing in the form of a reply to my two letters on the subject and he agreed to do so. He stated that the military were not warranted in boarding the vessels, I stated that this was certainly correct and that the military patrol by exercising more patience could have obtained all the information it desired by remaining alongside the launches. A mail report will be sent to the Department.

Repeated to Hankow and Peiping. Code text by mail to Tokyo.

LOCKHART

893.102S/1643 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 3, 1938—8 p. m.

[Received June 3—6: 55 p. m.]

771. 1. I have today received from the Japanese Consul General through the Senior Consul a notice that at the instance of the Japanese military authorities the following measures are to be enforced with regard to access to areas under control of the Japanese Army, especially the western parts of Shanghai area and including Hungjao, Nantao and Pootung:

(1) No one except those provided with an inoculation certificate against cholera shall be permitted to enter the above mentioned areas on and after May 31;

(2) The same, however, shall become effective on and after June 7 with the Japanese and the nationals of the third powers as well as the Chinese chauffeurs employed and accompanied by those mentioned below;

(3) Those who are in the diplomatic and consular services as well as their families are requested to carry with them, when entering the above mentioned areas, identity papers issued by the Japanese Consul General which will be sent to them as soon as they are ready, instead of the said inoculation certificate.

2. My British colleague has stated the British Ambassador is disposed to protest the imposition of the regulations and has inquired of me as to whether I would be prepared also to lodge a protest. Inasmuch as efforts are being made by the health authorities of the International Settlement and the French Concession to encourage cholera inoculations I believe that it would be inadvisable to lodge a formal protest, but a strict enforcement of the regulations against foreigners may lead to unpleasant, and perhaps serious, incidents. While not disposed to inform the Japanese Consul General that the regulations cannot be enforced against Americans, I believe it would

be well to remind him that a strict application of the regulations will most likely lead to unpleasant occurrences and that it would be advisable to apply the regulations with the least possible friction and annoyance to American nationals. There is a possibility that the regulations have been issued largely to prevent the passage into the areas mentioned of Chinese who have not received cholera inoculation. The Department's instructions are respectfully requested.

Repeated to Hankow and Peiping.

LOCKHART

398.115 Dollar Wharf and Warehouse Company/5 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, June 4, 1938—11 a. m.

[Received June 4—2:26 a. m.]

355. Our 340, May 31, 7 p. m.<sup>39</sup> Attack crews of American launches. The Naval Attaché yesterday discussed this matter with the senior aide to the Navy Minister. The Naval Attaché's report of the aide's statement follows:

"The naval authorities at Shanghai had made an immediate investigation. Both incidents had occurred shortly after midnight. The American flag was not seen. When ordered to stop by the picket boats, both launches attempted to escape, they were overtaken and boarded. The Japanese patrols were wrought up over the failure of the launches to stop and the resulting chase and consequently took their spite out of the Chinese. Picket boats patrol the Whangpoo to protect the *Idzumo* and other Japanese men-of-war there from suspicious craft. Reference was made to attempts last fall to attack the *Idzumo* both by torpedoes and mines.

Would I transmit to my Navy Department the above explanation of the actions of the Japanese naval men with the request that such explanation be given to the United States public in order that they might realize such actions of Japanese naval personnel were not directed against American rights and interests.'

The Foreign Office had referred the matter to the Navy Minister who had explained in substance as above. The Foreign Office note should have been presented to the Ambassador ere this. He would request the Foreign Office to expedite the transmission of the reply to the American Ambassador.

It was clearly evident both from his attitude and remarks that the senior aide was quite gravely concerned about the matter which possibly reflects the feeling of the Navy Minister."

Repeated to Shanghai for Hankow.

GREW

<sup>39</sup> Not printed; see note No. 943, May 30, 1938, from the American Ambassador in Japan to the Japanese Minister for Foreign Affairs, *Foreign Relations, Japan, 1931-1941*, vol. 1, p. 591.



393.115/301 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 4, 1938—4 p. m.

[Received June 4—9:30 a. m.]

779. My May 31.<sup>40</sup>

1. Japanese Consul General has sent to me a letter referring to the notification contained in my May 30 and stating that:

"While it is the intention of the Japanese Navy to wipe out the remnants of the Chinese defeated troops throughout the southern parts of Shantung Province and the areas along the railway of Lunghai, the remnants of the defeated troops have frequently been found in the vicinity of many hurriedly made posts, scattered extensively in the above mentioned districts, flying the flags of the third powers, one of which is American, thus causing a great deal of inconvenience to the Japanese Navy in their aerial attack on the Chinese forces. Moreover, it is quite clear that most of the flags thus flown are being abused by the Chinese troops.

With a view to protecting genuine foreign properties, I, therefore, have the honour to request you to be good enough to send me as soon as possible all available information, if possible together with three copies of maps, as to exact locations of properties of the United States of America, both private and Government owned, in the above mentioned districts."

2. This office in acknowledging receipt of the Japanese Consul General's letters of May 30 and June 2 is pointing out that in a letter dated August 26, 1937, addressed to the Japanese Consulate General, a list was enclosed of all American property in this consular district and that on May 28 information concerning the property of the American Church Mission at Anking, Anhwei, was again furnished to the Japanese authorities at the request of the mission. However, in replying to these letters I am again stressing the fact that regardless of whether the location of American property has or has not been notified to the Japanese authorities full responsibility rests upon them for the protection and safeguarding of American lives and properties.

LOCKHART

893.102S/1643 : Telegram

*The Acting Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, June 4, 1938—4 p. m.

361. Your 771, June 3, 8 p. m. The Department desires that you inform the Japanese Consul General that this Government cannot admit the right of the Japanese authorities to enforce such regula-

<sup>40</sup> Not printed.

tions against Americans. You may add that you desire, however, to cooperate in reasonable measures for the prevention of the spread of cholera and that you will recommend to Americans that they voluntarily provide themselves with cholera certificates or identity papers for presentation to the health authorities when requested. You may also include in your statement your proposed caution in regard to the possibility of incidents arising.

WELLES

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394.1123 Scovel, Frederick G./1 : Telegram

*The Consul at Tsingtao (Gourley) to the Secretary of State*

TSINGTAO, June 6, 1938—2 p. m.

[Received June 6—6:30 a. m.]

According to a report from Yenchowfu, Dr. Frederick G. Scovel, an American Presbyterian missionary, was shot through the side at Tsining on June 2nd or 3rd by a drunken Japanese soldier. Dr. Scovel was said to be trying to protect Chinese nurses in the mission hospital against Japanese soldiers who were looking for women. Although the wound is serious he is expected to recover.

Matter has been taken up with Japanese Consul General.

Sent to Hankow, Peiping.

GOURLEY

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393.115 Hunt Company, William/29 : Telegram

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

WASHINGTON, June 7, 1938—6 p. m.

167. Your 219, April 27, 10 a. m.,<sup>41</sup> and previous in regard to alleged transfer to Hunt and Company of title to properties of China Merchants Steam Navigation Company Limited.

The Department has examined record of case submitted for its consideration and is in general accord with the views expressed in your 201, April 12, 3 p. m.,<sup>41</sup> to the effect that the agreements purporting to convey absolute indefeasible title to the properties under reference to Hunt and Company cannot be regarded as legally effective to accomplish that purpose and that the records strongly suggest that the principal if not the sole purpose of the purported transfer of title was to afford a basis for claiming American protection for properties owned by the Government of China. The Department therefore does not recognize the claim of American ownership of the properties and no protection will be extended to those properties by American representatives. Hunt may be advised accordingly.

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<sup>41</sup> Not printed.

It would appear that responsible officers of the Chinese Government must have been aware of the effort to use the agreements under reference as a basis for claiming American protection for the properties and it is not perceived, therefore, that any useful purpose would be served in making any official communication in regard to the matter to the Chinese Government.

Whether Hunt and Company has any valid claim against the Chinese Government, and if so, whether the company is entitled to any assistance from this Government in connection with such claim, are questions which can be considered if and when they arise.

Department suggests that American diplomatic and consular officers in China be informed of the substance of the foregoing and of Department's general attitude as explained in its 334, May 21, 4 p. m., to Shanghai.

HULL

393.115/401

*The Consul General at Hankow (Josselyn) to the Ambassador in China (Johnson)*<sup>42</sup>

No. 547

HANKOW, June 7, 1938.

SIR: With reference to Shanghai's telegram of May 30, 1938, noon, regarding the Japanese request to Third Powers to mark their properties with national flags and also to submit maps showing the exact location thereof, I have the honor to state that from the information on file at this office it would appear that American missions would scarcely be justified in believing that compliance with the Japanese request would cause their property to be unmolested.

This office has on record several letters from American mission stations in the interior which have been bombed by the Japanese and which were flying American flags at the time of the bombing. A list of these cases is given below:

1. The church of the Advent Christian Mission at Chaohsien, Anhwei, was bombed and machine gunned by Japanese airplanes on January 24, 1938. A letter from Miss Hannah Stocks, dated February 3, states that the American flag was painted on the roof of the church and an American flag was flying from the flag staff.

2. The American Baptist Mission at Lini, Shantung, was bombed by the Japanese on March 25 and April 1, 1938. All buildings in this mission were marked with American flags and also with a special flag consisting of a blue cross with a white background. These flags were also painted on the roofs of the buildings.

3. The Southern Baptist Mission at Chenghsien, Honan, was bombed on May 13. This mission had two American flags, 20 x 40 feet, laid on the ground.

<sup>42</sup> Copy transmitted to the Department by the Consul General at Hankow in his despatch No. 439, June 7; received July 15.

4. The Southern Presbyterian Mission at Kweiteh, Honan, was bombed on May 20, 21, 22 and 23. This mission was flying American flags from the mast; also American flags were laid on the ground, the latter being 10 x 17 feet. This compound was also marked with the special flag, blue cross on white background, mentioned above.

5. The Southern Presbyterian Mission at Haichow, Kiangsu, was bombed by the Japanese on May 27 and 28. A telegram from the mission states that the American flag was "most prominently displayed."

Two cases have been reported of damage to mission stations, maps of which had already been forwarded to the American Embassy at Peiping and presumably were in the hands of the Japanese authorities at the time the bombings were carried out. These are briefly as follows:

1. Premises of the Lutheran United Mission at Chumatien, Honan, maps of which were forwarded to Peking on April 1, 1938. On May 21, 1938 Japanese planes bombed and machine gunned the premises, totally destroying thirteen rooms and partially destroying six other rooms as well as inflicting other damage.

2. Kweiteh (Shang Kiu), Honan (see No. 4 above). Maps of the premises of the Southern Presbyterian Mission at this place were forwarded to the Embassy at Peiping on February 28 and April 12. On May 20, 21, 22 and 23 Japanese planes bombed in the immediate vicinity of this property, the bombs falling very close to American flags. The actual damage to this property was reported to be negligible, but this lack of damage may be safely regarded as fortuitous.

Respectfully yours,

P. R. JOSSELYN

793.94/13171 : Telegram

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

HANKOW, June 8, 1938—3 p. m.  
[Received June 8—2:40 p. m.]

278. My 33, December 13, 4 p. m.,<sup>43</sup> and Department's 22, December 21, 7 p. m.<sup>44</sup> In view of indiscriminate bombing<sup>45</sup> which is occurring at Canton and in view of recent threats that similar bombing is to take place at Hankow, I respectfully urge that the Department consider advisability of [the] Embassy at Tokyo once more reminding Japanese Government of location of American property and concentration of Americans and other foreigners in area described in my telegram above referred to.

Sent to Peiping, Shanghai, Shanghai please repeat to Tokyo.

JOHNSON

<sup>43</sup> *Foreign Relations*, 1937, vol. iv, p. 401.

<sup>44</sup> Not printed.

<sup>45</sup> See also vol. III, pp. 613-626, *passim*, and *Foreign Relations*, Japan, 1931-1941, vol. I, p. 595.

793.94/13342

*Memorandum by Mr. John H. Spencer, of the Division of Far Eastern Affairs*

[WASHINGTON,] June 8, 1938.

Within the last three weeks Japanese aviation forces have extensively bombed wide areas in China both within and without the zones of hostilities. Bombings by Japanese airplanes have been reported in Honan, Hupeh, Kiangsu, Chekiang, Kiangsi and Kwangtung provinces, and among other cities, those of Canton, Chuki, Chumatien, Kanhsien, Kiehnou (five raids on May 30), Kwangchang, Nancheng, Nanhsiang, Ningpo, Pucheng, Siangyang, Haichow, Hwaiian and Sutsien. With the exception of the last three mentioned places, these cities have not been in the zones of hostilities. It is impossible to estimate the number of individual raids in the period under reference. However, according to reports received by the Department, there have been no less than thirteen bombing raids on the city of Canton within the past thirteen days (three raids on May 28). Likewise, complete information is lacking as to the number of casualties among the civilian populations and as to the extent of damages.

In so far as American-owned properties are concerned, there have been reported six bombings of American missions within the period under reference. On May 19, the Free Methodist Mission at Chengchow was severely damaged by Japanese bombing. The Lutheran United Mission at Chumatien was bombed on May 21 resulting in extensive damages. The Southern Presbyterian Missions were bombed and severely damaged on May 24 and 28 at Haichow and on May 26 at Hwaiian and Sutsien.

In the course of the bombings at Canton, which, with the exception of June 1 and 2, have taken place daily since May 27, thousands of non-combatants have been killed and wounded and much property destroyed and burned. It has been reported that during the raids on May 28 and 29 and June 4, over three thousand were killed and wounded.\* According to British reports, during the raids on May 28, 29 and 30 less than one-third of the bombs were directed at airdromes and industrial plants and of the sixty or more sites bombed less than ten were of military importance. The attacks would appear to have been and to be directed chiefly against residential areas. In addition, the Lingnan University, which lies some distance out of the city and which is partly American owned and supported, has been bombed by Japanese air forces.

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\*British estimates for the casualties resulting from the raids on May 28 and 29 and June 3 and 4 place the number of killed and wounded at twenty-one hundred. [Footnote in the original.]

394.1153 Smith Company, Werner G./7 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, June 8, 1938—6 p. m.

364. Your 683, May 18, 5 p. m.<sup>46</sup> and previous in regard to detention by Japanese of wood oil belonging to Werner G. Smith Company.

In the event that the Japanese still hold this cargo, it is suggested that you again approach the Japanese authorities with a view to obtaining its early release and that if you consider it advisable you ask Tokyo in its discretion to make further representations in regard to the matter.

HULL

393.1164 Lingnan University/5 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, June 8, 1938—7 p. m.

187. 1. Under date June 8, 3 p. m.,<sup>46</sup> the Consul General at Canton telegraphed via Hong Kong as follows:

“Three Japanese bombs dropped on western end Lingnan University campus this morning at edge of athletic field 200 yards from houses occupied by Americans. No buildings struck. I have asked Southard, Hong Kong to protest to Japanese Consul General, Hong Kong.”

2. The American Consul General at Hong Kong telegraphs that he has protested to Japanese colleague who has forwarded the protest to Tokyo.

3. While Lingnan University has been since 1927 a Chinese administered institution a substantial part of the lands and buildings remain vested in an American board of trustees in New York and part of the support of the institution continues to come from American sources. Thirty-seven American citizens are now residing at the University. The University and campus are clearly removed from the city of Canton and urban areas. The Department can perceive no warrant whatever for the attack under reference. The Department therefore desires that unless you perceive objection the Embassy make appropriate representations to the Foreign Office setting forth the above-mentioned facts and requesting that urgent measures be taken to prevent any future attack upon the property under reference.

HULL

<sup>46</sup> Not printed.

793.94/13175 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 8, 1938—midnight.

[Received June 9—2:34 p. m.]

800. Rear Admiral Nomura, Chief of the Japanese Naval Special Service Section at Shanghai, issued a formal statement to the press yesterday in which it is stated that "Such cities as Canton, and Hankow" are "defended cities" protected by large numbers of recently installed anti-aircraft artillery "set up in all parts of these cities indiscriminately" and, in many cases, "in the immediate vicinity of property belonging to nationals of third powers" and that "under such circumstances, our air units have had no choice but to carry out their recent raids at higher altitudes than before, with the inevitable result that some civilian casualties and damage to dwellings and other structures located in close proximity to military objects have occurred". The statement continues "while great care will continue to be exercised to secure the maximum degree of accuracy in the marksmanship of our air forces, it is, at the same time, our intention to carry out air raids with even greater vigor so as to bring the Chinese authorities to realize the futility of their present attitude and in order that the hostilities, of which these air bombardments are a concomitant part, may be brought to a termination as speedily as possible. It is, therefore, the desire of the Japanese Naval authorities that the citizens of third powers resident in those cities will not only themselves avoid the areas in which China's anti-air defenses are located, but also advise the ignorant Chinese to seek shelter away from such zones."

Repeated to Hankow, Peiping, Canton, Tokyo.

LOCKHART

393.115/315 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, June 9, 1938—2 p. m.

[Received June 9—10:57 a. m.]

113. Shanghai's number 754, June 1, 11 p. m., and press reports that Japan was sending an Interdepartmental Committee to investigate means of restoring American property in Central China under the occupancy of Japanese forces.

The Japanese Consul General gave a dinner last night in honor of Bos, visiting Netherlands Secretary, at which were present a Mr. Ishii of the American Bureau of the Japanese Foreign Office and a Lieutenant Colonel Nishi of the American Section of the Japanese Ministry

of War, who had just arrived from Shanghai. It developed that these two, together with a naval officer who was not present, compose the Interdepartmental Committee referred to above. They arrived in Nanking by airplane at noon yesterday and left by train early this morning and their investigations here consisted of talks with high military and naval officials and a conversation lasting about 20 minutes with me after dinner in a crowded room where we were subject to interruption. It is perhaps significant that no attempt was made by either Mr. Ishii or Colonel Nishi to talk with the British Consul, who was present, concerning the return to Nanking of his nationals, or the protection of British property.

Mr. Ishii began by making the familiar excuse that it was not yet safe for foreigners to return to Nanking in large numbers, but upon being pressed and particularly upon being asked why it was apparently safe for missionaries to return and not for business men he made the statement that with regard to the missionaries only Americans were concerned but if business men were permitted to return it would be necessary to permit the return of persons of all nationalities and the authorities do not wish to do that at present. It was obvious that the return of British business men was what was most feared by the Japanese.

It is obvious that the Japanese authorities simply do not want foreign business men to return to Nanking and that excuses will continue to be made unless some stronger action is taken by the interested governments. I therefore recommend that both Tokyo and Shanghai be instructed to continue to press for the return of business men to Nanking but that if no success is achieved by July 1st, that the Japanese authorities be notified that representatives of the Standard Vacuum Oil Company and the Texas Company, the two American organizations most concerned, are being brought to Nanking on the U. S. S. *Oahu* on her next trip (on or about July 11th according to present plans) and that the American Government trusts that no obstacles will be placed in the way of these men landing in Nanking. If we continue to request permission it will be refused on one ground or another but if we notify the Japanese that the men are coming, as was done in the case of the naval radio operator coming ashore, I believe they will cause no trouble. My British colleague has informed me that he is prepared to make similar recommendations to his Government with regard to obtaining the return of British business men to Nanking.

Sent to Hankow. Repeated to Shanghai and Peiping. Peiping please forward to Tokyo.

ALLISON



394.1123 Scovel, Frederick G./10 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, June 9, 1938—5 p. m.  
[Received June 9—7:21 a. m.]

366. Our 363, June 7, 7 p. m.<sup>48</sup> Peiping's June 8, 4 p. m.—attack on Scovel.<sup>49</sup>

1. I called on the Vice Minister for Foreign Affairs this morning and expressed myself strongly on this case. I left with him a note. The Vice Minister for Foreign Affairs said that the military authorities took a serious view of the matter and that as a result of representations made by our representatives in Peiping and Tsingtao those authorities were making a careful investigation.

2. Later this morning the Foreign Office informed us that the Japanese Consul General at Tsinan had telegraphed that he had obtained permission from the Japanese military authorities for an American member of the faculty of Tsilu University at Tsinanfu to visit Tsining to inquire into the circumstances of the reported attack. This American (his name appears to be either Ludgren or Green) was to have left Tsinanfu yesterday for Tsining.

Repeated to Peiping for Hankow.

GREW

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793.94/13171 : Telegram

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

WASHINGTON, June 9, 1938—7 p. m.

170. Your 278, June 8, 3 p. m., and Department's 22, December 21, 7 p. m., which quotes final paragraph of Department's 367, December 21, 7 p. m., to Tokyo.<sup>50</sup>

The Department has sent the following telegram to Tokyo:

"Department authorizes approach under conditions and along lines of final paragraph Department's 367, December 21, 7 p. m."<sup>51</sup>

HULL

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<sup>48</sup> Not printed.

<sup>49</sup> See telegram of June 6, 2 p. m., from the Consul at Tsingtao, p. 341.

<sup>50</sup> Telegrams Nos. 22 and 367 not printed.

<sup>51</sup> For note presented to the Japanese Foreign Office, see telegram No. 822, June 11, 10 p. m., from the Consul General at Shanghai, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 599.

393.115/318 : Telegram

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

HANKOW, June 10, 1938—3 p. m.

[Received June 11—6 a. m.]

283. Nanking's 113, June 9, 2 p. m. I heartily endorse recommendation made by Allison. Furthermore, and with special reference to American owned cargo in the Yangtze Valley, I recommend that consideration be given to the desirability of authorizing American naval vessels to escort junks and barges loaded with cargo which is the property of Americans to Shanghai. I would particularly recommend such action in regard to wood oil cargo which was at Nanking, delivery of which to Americans has not yet been reported.

JOHNSON

394.1153 Smith Company, Werner G./8 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 10, 1938—9 p. m.

[Received June 10—1:40 p. m.]

811. Department's 364, June 8, 6 p. m., wood oil belonging to Werner G. Smith Company. I took up personally with Hidaka on June 1 the release of the wood oil and left with him a memorandum on the subject. Further representations have been made since and 2 days ago the Japanese naval authorities seemed inclined to release the wood oil immediately but the orders were not forthcoming. Yesterday the matter was discussed by Vice Consul Espy with a member of the staff of the Japanese Consulate General. The latter spoke with the Japanese naval authorities. They stated that they will have an answer as to the release of the wood oil and the arrangements for its delivery after they have consulted with their officials in Nanking. This answer is promised within 1 or 2 days, and if unsatisfactory I will then ask Tokyo in its discretion to make further representations.

Repeated to Embassy at Hankow, Nanking and Tokyo.

LOCKHART

793.94/13189 : Telegram

*The Consul General at Hong Kong (Southard) to the Secretary of State*

HONG KONG, June 11, 1938—1 p. m.

[Received June 11—6 a. m.]

In continuation of my telegram of this date,<sup>52</sup> Japanese Consul General expressed the informal and strictly confidential opinion that

<sup>52</sup> Not printed.

bombing would continue in Canton and other places in South China thus making highly advisable identification of all American property.  
SOUTHARD

793.94/13194 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 11, 1938—9 p. m.

[Received June 11—10:20 a. m.]

821. My 812, June 11, noon,<sup>53</sup> and 813, June 11, 1 p. m.<sup>54</sup> I received similar notices this afternoon from the Japanese Consul General who explained that the suggestion for distinguishing marks was not "rigid"; that foreign naval vessels would be expected to use their own methods of employing distinguishing markings; that all the Japanese naval and military authorities are concerned about is that vessels navigating the stretch of the Yangtze described be so clearly identified by markings that there would be no possibility of a mistake being made by aviators; that flags flying or painted on awnings had by experience been proven not altogether reliable as a means of protection.

I told my Japanese colleague of the action taken on Mr. Tani's<sup>55</sup> notices and informed him that the communication of the notices in no way relieved the Japanese authorities of their responsibility. I [asked?] him to communicate this observation to Mr. Tani.

Hidaka stated that the Japanese intended to move on Hankow and expected to occupy it in due course. Admiral Yarnell has been informed of the foregoing.

Repeated to Hankow, Peiping, Tokyo.

LOCKHART

393.115/319 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, June 11, 1938—9 p. m.

[Received June 11—10:45 a. m.]

Shanghai's May 30, noon, to the Embassy [at] Hankow repeated to Department regarding request of Japanese Consul General, Shanghai, for maps showing localities of properties of third powers in certain areas.

American property holders in areas named within this consular district have been informed of this further request. I desire however

<sup>53</sup> *Foreign Relations, Japan, 1931-1941*, vol. 1, p. 597.

<sup>54</sup> *Ibid.*, p. 598.

<sup>55</sup> Japanese Minister at Large in China.

to invite the Department's attention to the fact that the areas named by the Japanese Consul General at Shanghai are in large measure the same as the areas set forth in the Japanese Embassy note January 31 last to Peiping (see Peiping's telegram No. 81 February 2, 7 p. m.<sup>56</sup>). In this note Japanese Embassy requested that one map be forwarded to Peiping and this has been done in one instance. The request contained in Shanghai's May 30, noon, is for four copies of maps to be forwarded to Shanghai. This has resulted in considerable extra labor, confusion and misunderstanding and it is not unlikely that still further requests for maps may emanate from other Japanese sources. The practical value of supplying these maps is questionable as set forth in my despatch to the Embassy No. 547 of June 7. Furthermore the wisdom of complying with the Japanese request is questioned by property holders as witness a letter just received from the Methodist Mission at Nanchang, Kiangsi, one of the points especially mentioned in Japanese letter of May 30th. The missionary in charge writes that the mission has properties spread over the city, that the houses are marked with American flag and that if he were to furnish maps of the city showing the location of mission properties he would be in effect furnishing information to the Japanese which would give them bearings by which to locate any point desired. This he states would be betraying information to China's enemies.

I have endeavored to make clear to Americans concerned that the supplying of maps is purely voluntary on their part and that this office is merely suggesting that those who may wish to do so comply with the procedure.

Repeated to Peiping and Shanghai. Copy to Embassy, Hankow.

JOSSELYN

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793.94/13200 : Telegram

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

HANKOW, June 12, 1938—noon.

[Received June 12—8:10 a. m.]

285. Your 172, June 11, 2 p. m.<sup>57</sup> My 278, June 8, 3 p. m., had reference to the situation described in my 33, December 13, 4 p. m.,<sup>58</sup> distribution of foreigners, location of foreign property and shipping remains today as it was then. French is only Concession which today remains intact. French have erected gates, barbed wire entanglements around boundaries and have now stationed 250 soldiers within Concession. They have one small sloop and one small gunboat

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<sup>56</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 576.

<sup>57</sup> Not printed.

<sup>58</sup> *Foreign Relations, 1937*, vol. IV, p. 401.

anchored off Concession and intend to hold Concession, preventing entry of unauthorized Japanese or Chinese in case of emergency or in event fighting extends into this area.

It is locally expected that Americans and others whose property is not located in French Concession, or who are not resident in French Concession can remain in their places of residence, but if an emergency arises and it should appear necessary for protection of life to evacuate foreigners from Hankow onto ships in the river, present plan is to concentrate in French Concession for purposes of evacuation of foreigners. This is a change from previous plan which had been devised in 1932. This plan does not, however, nullify advisability of again reminding the Japanese of the presence of foreigners, their property and their shipping in the area generally described in my 33, December 13, 4 p. m. I have furnished colleagues with a copy of my 278, June 8, 3 p. m. and understand that they also are recommending similar action in Tokyo. I repeat this plan has nothing to do with emergency evacuation scheme apparently referred to by Hankow office of National City Bank. Every effort will be made to afford naval protection to all American property in this area provided it does not interfere with the primary mission of protecting lives.

Sent to the Department only.

JOHNSON

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393.115/326 : Telegram

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

WASHINGTON, June 13, 1938—6 p. m.

175. Your 283, June 10, 3 p. m. With reference to the recommendation contained in Nanking's 113, June 9, 2 p. m., in regard to the return of American businessmen to Nanking and the Embassy's recommendation in regard to the question of authorizing American naval vessels to escort junks and barges carrying American cargoes, the Department is of the opinion that it would not be advisable to give consideration to these recommendations pending the receipt of the Japanese Government's reply, if not unreasonably delayed, to our recent representations in regard to the reoccupation of American property, as it is probable that such reply, which we understand will be made after the completion of the investigation of the Japanese inter-departmental committee, will have a bearing on the matter under reference.

We of course concur in the view that Shanghai and Tokyo should in their discretion continue to press matters relating to restrictions upon the freedom of American trade.

Please repeat to Shanghai with instructions to repeat to Tokyo.

HULL

793.94/13197: Telegram

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

WASHINGTON, June 13, 1938—7 p. m.

176. Your 286, June 12, 1 p. m.,<sup>59</sup> and previous telegrams in regard to Japanese notice of the imminent extension of hostilities into the river area between Wuhu and Hukow. Please warn Americans residing in that area and, if you consider it advisable, in the Kiukiang-Nanchang area, of the danger and repeat to them advice that they withdraw by the most practicable routes to places of safety.

HULL

393.11/2101: Telegram

*The Secretary of State to the Consul General at Canton (Linnell)*

WASHINGTON, June 13, 1938—7 p. m.

Your June 6, 4 p. m.,<sup>60</sup> last paragraph. The Department is concerned with regard to the safety of Americans in the Canton area and desires to be informed by radio whether you are continuing to advise Americans, insofar as practicable, to withdraw at least temporarily from exposed places to places of safety. State principal activities of the Americans now in Canton.

HULL

793.94/13197: Telegram

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

WASHINGTON, June 13, 1938—11 p. m.

177. Your 286, June 12, 1 p. m.<sup>59</sup>

1. Newspapers carry today United Press story dated Shanghai, June 12, with sensational headlines such as "Yarnell defies Japan", "Won't bar U.S. ships in war zone", "Says Navy will go where it is needed", "Sharp reply to Nippon insists upon right to guard Americans", etc.

In text this story contains statements such as: "In a sharply worded message, Yarnell set forth three principles of American naval operation in Asiatic waters"; "Yarnell reinforced his refusal to accept the Japanese request by planning an inspection of American fighting ships stationed up the Yangtze. He made his attitude even more specific by 'informing' the Japanese of his intention of making the trip", etc.

<sup>59</sup> *Foreign Relations, Japan, 1931-1941, vol. I, p. 600.*<sup>60</sup> Vol. III, p. 193.

The American Government deprecates and deplors such publicity. It adds greatly to the difficulty of our endeavors to have our own press and public envisage in proper perspective the situation in China and our policy and procedure in general in reference thereto.

There is a strong element of public opinion in this country which is opposed to the running of any risks of American embroilment abroad and which advocates complete withdrawal from any and all points of danger in the Far East, with insistence especially upon removal of all our armed forces. Any publicity suggestive of a belligerent attitude on the part of our people, whether official or unofficial, in China, simply plays into the hands of such elements.

This Government desires that all action, including giving of publicity, by American official representatives in the Far East be in conformity with the concepts of policy and execution outlined in previous instructions and public utterances repeatedly made by the Secretary of State on the subject of affording protection under rules of reason.

2. In the light of the above, the Department questions the advisability of Admiral Yarnell making a visit to Nanking and Wuhu at a time when active hostilities are imminent or in process immediately above Wuhu. Navy Department has no indication what would motivate such visit. Please telegraph Department your view as to advisability of such visit at this time.

3. This telegram is being repeated to Shanghai and will be shown to Admiral Yarnell.

HULL

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798.94/13227 : Telegram

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

HANKOW, June 15, 1938—11 a. m.

[Received June 15—10:45 a. m.]

292. Department's 177, June 14 [13], 10 [11] p. m. Your paragraph 1. Department has a complete history of this matter in Shanghai's 812, June 11, noon,<sup>62</sup> 813, June 11, 1 p. m.,<sup>63</sup> and my 286, June 12, 1 p. m.,<sup>64</sup> which repeated Yarnell's comments to me. On June 12, 1 p. m., I instructed Consul General at Shanghai to make reply to Mr. Tani's letter quoting Admiral Yarnell's comment to me. Please note that all of unimportant messages were in plain and that Admiral Yarnell's telegram was addressed to me and carried no indication whatever that he had made any communication to Japanese authorities or to press.

<sup>62</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 597.

<sup>63</sup> *Ibid.*, p. 598.

<sup>64</sup> *Ibid.*, p. 600.

The local English language paper *Central China Post* dated June 13 carried a Central United Press item dated Shanghai June 12, stating that Admiral Yarnell had rejected Japanese request "in his reply to the Japanese today through the American Consulate General". There followed a summarization of Admiral Yarnell's comments addressed to me phrased in such a way as to indicate that Admiral Yarnell had communicated this to the Japanese. I had a call on June 13 from the local Associated Press correspondent who had received an inquiry in regard to this matter from his New York office and had [been] instructed to obtain my comments. I refused to make any comments stating that I knew of no reply which Admiral Yarnell had made to Japanese authorities. On June 14 Associated Press correspondent again called, stated he had received a request from his New York office instructing him to obtain text of Admiral Yarnell's statement. I telegraphed Admiral Yarnell and, informing him of appearance of item in local paper, stated that I had refused to make any comment and that I had referred Associated Press to Shanghai. Admiral Yarnell informed me on June 14 that he had given no information to the press in Shanghai and that he had been unable to trace the source of the United Press report.

Department will therefore see that neither Admiral Yarnell nor I have had anything whatever to do with publicity which United Press based upon this story. I suspect that United Press was able to intercept the message which Yarnell sent to me through naval wireless circuit and used it in its story. Story is misleading and incomplete and evidently—from excerpts quoted by the Department—was intended to mislead press at home as to actual attitude of the Navy here. We here are anxious to run no risks in these present times, and every reasonable precaution has been exercised by the Navy and by the Embassy and the Consulates. Warnings have been issued from time to time to Americans to evacuate places of danger, and Consulates and Embassy have done everything in their power with the cooperation of the Navy to facilitate such evacuation when possible. The Embassy is not aware of any act on the part of the Navy or on the part of the Consulates or itself which has not been in conformity with concepts of policy and its execution outlined in the Department's instructions. Obviously we here cannot foresee or prevent speculative comments by the press intended apparently to be tendencious and to cause embarrassment.

Your paragraph 2. Department has requested me to comment as to advisability of visit which Admiral Yarnell has planned to make to me and to Wuhu. This plan has been in mind for some time, and I personally see no reason why the Admiral should not make the visit contemplated. Visit is not in area of immediate hostilities and is in



the ordinary course of naval inspection and will I believe be productive of good rather than harm. Certainly it should not be accompanied by any more danger or embarrassment than visits to Tsingtao, Chefoo or Chinwangtao.

This telegram is being repeated to Shanghai for communication to the Admiral.

JOHNSON

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393.115/335 : Telegram

*The Secretary of State to the First Secretary of Embassy in China (Salisbury), at Peiping*

WASHINGTON, June 15, 1938—3 p. m.

153. Your 306, May 18, 5 p. m. With a view to considering the possible strengthening of the basis for possible general representations on the subject of Japanese interference with American trade it is desired that the Embassy with the collaboration of Consuls submit by telegraph a report summarizing the extent to which interference with American trade or the shipment of supplies to American mission stations in the interior is still continuing not only in the Chefoo consular district but elsewhere in China. Such report may well include brief mention of any outstanding instances of such interference.

Please repeat this telegram to Tokyo and also any further telegrams sent by the Embassy on this matter.

HULL

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393.11/2102 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, June 15, 1938—4 p. m.

[Received 8:44 p. m.]

Department's telegram of June 13, 7 p. m. I have since last September continued to urge evacuation of Americans who had no urgent occupation in China. These representations have been made more urgent recently and practically the only Americans in this district at present are those actively engaged as doctors, nurses, teachers, missionaries (many of whom assist in medical work), newspaper representatives and representatives of American companies.

The school year at Lingnan has ended and it is hoped that most of the American teachers as well as the American exchange students will leave in the near future. I am urging them to do so.

The American hospitals are doing a great humanitarian work and it is thought this should continue unless the danger becomes greater.

If invasion by land forces should eventuate, I believe a general

evacuation should be urged; otherwise Americans in this district are believed to be at present in comparatively safe places.

In Canton there are now the following white Americans: 31 male missionaries, 17 teachers, 14 representatives [of] American companies, 5 doctors, 2 trained nurses, 4 exchange students, the house [3] officials of the Chinese Government and 35 wives and children. There are also a number of American men who come and go.

LINNELL

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394.1123 Thomson, J. C./1: Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, June 15, 1938—5 p. m.

[Received June 15—4: 55 p. m.]

117. While riding in a rickshaw through a public street in Nanking just before noon today, Dr. J. C. Thomson, an American citizen, and member of the faculty of the University of Nanking, was stopped by a Japanese sentry, questioned, searched and slapped across the face, though he had made no attempt to resist the sentry in any way. Dr. Thomson immediately reported the matter to the American Embassy after which I accompanied him to the Japanese Consulate General where I lodged a strong protest. In company with Vice Consul Kasuya and a consular policeman we then returned to the spot where the incident had occurred but the offending sentry had been relieved by another soldier. However, the Japanese officials made notes of the location and promised to make an immediate investigation. I informed Mr. Kasuya that I would expect a report of the results of the investigation this afternoon and that I would hold up my report of the matter until this evening so that the Japanese report might be incorporated therein.

Kasuya reported this afternoon that Japanese gendarmes had questioned the sentry, who admitted having searched Dr. Thomson, but denied categorically that he had slapped him. I informed Mr. Kasuya that this explanation was entirely unsatisfactory as when Dr. Thomson had come to the Embassy this morning he was still in a nervous condition as a result of his experience and his face bore a faint flush where he had been slapped. A further investigation was requested.

I have made the following requests of the Japanese Consul General:

- (1) An apology should be made to Dr. Thomson by a military representative,
- (2) the guilty soldier should be punished and the American Embassy informed of the punishment, and
- (3) assurances should be

given that the military authorities have taken adequate steps to prevent the recurrence of such incidents. The Japanese Consul General has been informed that if the above requests are promptly and satisfactorily carried out I shall recommend that the incident be considered closed and that no publicity be given to it, but I have made it clear that the final decision in this regard rests with the Department of State. It is therefore requested that information concerning this incident not be made public until tomorrow night at least when it is hoped to have a more favorable report from the Japanese authorities.

Sent to the Ambassador. Repeated to the Department, Peiping and Shanghai. Shanghai please mail to Tokyo.

ALLISON

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393.115/331 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 15, 1938—5 p. m.

[Received 7:24 p. m.]

844. My 762, June 2, 7 p. m.<sup>65</sup> regarding return of American missionaries to their stations and occupation of American property. As the result of repeated discussions with the Japanese authorities here concerning the above questions and in particular regarding the return of American missionaries to Soochow and the vacating of American properties in that city occupied by Japanese troops, arrangements were made for two American mission representatives to proceed to Soochow and discuss these questions with the military authorities there. These representatives returned to Shanghai yesterday and reported that they were cordially received by the Japanese garrison commander and were informed by him that he had no objection to the return of American missionaries but that passes would have to be obtained in Shanghai. While in Soochow these representatives were also conducted on a tour of inspection of American property and found that approximately 50% of the occupied property had been vacated recently and that Japanese troops were preparing to vacate several additional buildings. In this connection the Japanese authorities have informed me orally that instructions were issued recently by military headquarters here to the military at Soochow to vacate American mission property as soon as possible. In view of this encouraging report from Soochow, a special effort is being made to obtain passes from the military authorities here for 10 or 12 American missionaries to return to Soochow at an early date.

Repeated to Hankow, Peiping, and Tokyo.

LOCKHART

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<sup>65</sup> *Foreign Relations, Japan, 1931-1941, vol. I, p. 767.*

394.1153 Smith Company, Werner G./13: Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, June 16, 1938—3 p. m.

Following for Tokyo:

"198. Reference Shanghai's 811, June 10, 9 p. m., 820, June 11, 8 p. m., and Nanking's 115, June 15, noon,<sup>66</sup> which Shanghai has been requested to repeat to you, in regard to wood oil of Werner G. Smith Company.

Please lodge an emphatic protest with the Japanese Foreign Office against the continued detention by the Japanese naval authorities of this American property and state that the Department is becoming concerned by reason of the extended delay of release and the unwarranted conditions which those responsible for the detention are seeking to attach to the release."

Repeat to Tokyo Nanking's 115, June 15, noon.

HULL

393.115/333: Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, June 16, 1938—6 p. m.

[Received June 16—11 a. m.]

385. Hankow's 183 [283], June 10, 2 [3] p. m., received last night, return of Americans to Nanking.

1. Yesterday morning we inquired at the Foreign Office when reply would be made to the note which I left with the Vice Minister for Foreign Affairs<sup>67</sup> (see our 338, May 31, 5 p. m.<sup>68</sup>). The official approached said that the committee sent to China to study the matter having rendered its report, consultations are now taking place between the concerned departments in connection with the draft reply, and that although certain points have still to be decided, the Japanese reply will be forthcoming shortly. He then spoke off the record at considerable length on conditions at Nanking. It is our opinion that his observations, which are summarized hereunder, indicate the nature of the reply which is to be made by the Foreign Office:

(a) It is a fact that there are now in Nanking approximately 1,000 Japanese nationals. But those nationals are required to live within a specified area, where they can be conveniently protected, and are amenable to strict control and supervision by the Japanese authorities. As all available troops have been mobilized for the attack on Hankow, the garrison at Nanking is being depleted to the prejudice of the police

<sup>66</sup> Telegrams No. 820 and No. 115 not printed.

<sup>67</sup> Dated May 31, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 764.

<sup>68</sup> Not printed.

protection which can be given the population. As foreigners would not tolerate the restrictions being imposed upon Japanese nationals, the presence in Nanking of a large number of foreigners would inevitably result in incidents arising from inadequate policing of the city. The possibility is being considered of withdrawing opposition to the return of foreigners on condition that each individual give a written undertaking to relieve the Japanese Government of all responsibility for incidents occurring through inadequate police protection. The question of course arises whether the governments of nationals involved in such incidents would not hold the Japanese Government responsible, notwithstanding such private undertakings.

(b) Nanking is one of the principal bases for the attack on Hankow and there is no assurance that, if a large number of foreigners were in a position to observe the intensive military preparations, some of them of nationality other than American would not convey military information to the Chinese.

(c) The Foreign Office appreciated the spirit which prompted the Department to make the comment reported in press despatches under Washington date line of June 2<sup>69</sup> to the effect that the Department in referring to certain instances which occurred at that time of action by the Japanese to remove conditions violative of American rights was gratified by the unprecedentedly prompt response to the representations made by me on May 31. Nevertheless the fact is that the military authorities as well as the Foreign Office had been working on these cases for some time and the action taken happened to coincide with the representations made by me on May 31. In continuation of efforts along these lines the military authorities had already approved along with the applications of missionaries the application to return to Nanking of Stanley Bishop of Wrick (spelling uncertain),<sup>70</sup> an American business man, and had under consideration the applications of T. V. Pickering of the Standard Oil and T. S. Shield of the Texas Oil. The status of these applications were notified by Nanking to Tokyo by mail and it is possible that favorable action has subsequently been taken on the two applications pending.

(d) There could be no question of the right of American nationals to return to Nanking. However, there is under consideration a possible approach through the Japanese Embassy at Washington to the American Government with a view to requesting that, in view of prospects of conditions improving at Nanking, the American Government not press at this time the return of an unlimited number of businessmen.

2. We stated with all possible emphasis to the Foreign Office, as we have already stated on several previous occasions, that the patience of American businessmen waiting to return to Nanking is not inexhaustible and that unless favorable action were taken soon by the Japanese authorities, an acute situation would probably arise. We did not, of course, refer in any way to Allison's recommendation.

Repeated to Shanghai for Hankow and Nanking.

GREW

<sup>69</sup> See press release issued by the Department on June 3, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 768.

<sup>70</sup> See telegram No. 122, June 21, 3 p. m., from the Third Secretary of Embassy in China, p. 368.

393.1115/3290 : Telegram

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

HANKOW, June 17, 1938—10 a. m.

[Received 1:30 p. m.]

300. Supplementing my 292, June 15, 10 [11] a. m., I submit following as evidence of efforts on the part of Consulate General here to comply with the Department's instructions regarding evacuation of American citizens.

In late summer of 1937 there were present in Hankow Consular District approximately 1,200 American residents, and in addition several hundred American summer visitors at the 2 summer resorts. Circulars were sent out during the period from August to December advising evacuation. By the end of 1937, 430 Americans had left this area by train for Hong Kong. Others left by air or by other routes overland.

During this same period, orientals, [*some?*] others came into this area as refugees from north of the Yellow River or from Shanghai, and some are still here hoping that conditions will permit them to return to their work.

When hostilities started along the Lunghai the Consulate General at Hankow in January and February repeated advice previously given to Americans in Honan, Hupeh, Anhui and Shansi. On June 7th the Consul General called a meeting of the heads of American business and missionary organizations in Hankow and strongly urged that women and children and men who could be spared should evacuate while transportation was available. This advice was supplemented by a circular instruction addressed to Americans in Hankow, Wuchang and Hanyang on June 9. Upon the receipt of instructions to the Embassy No. 176, June 13, 7 p. m., the Consulate General, on the advice of the Embassy, issued a telegraphic warning on June 13 through the U. S. S. *Monocacy* at Kiukiang to Americans at Kiukiang and Kuling. This was supplemented by a circular instruction.

Since January 1, 1938 an additional 490 Americans have left this area by train for Hong Kong, making total recorded evacuation of 920. Some have returned for various reasons, and at present there are about 825 in the Hankow Consular District. The American community—both business and missionary, has sent away by far the greater part of its nonessential members, and those who remain believe that it is vitally necessary that they stay in order to preserve their interests. These are Americans who are not transients, but permanent residents engaged in business, missionary or medical work. There are a few in Kuling who have retired to that hill resort for age or physical reasons and who cannot or do not intend to leave.

American doctors, nurses and missionaries at Kiukiang and Wuhu and other places will remain at their [posts], not only to preserve their interests, but also to carry on, at a time when their services are most needed, the work for which they have come to China. It has been amply demonstrated in other areas in China that the only means by which Americans may hope to retain their property and other interests is by being present during the period of turnover. They realize risks involved. Consulate General and naval vessels at Hankow must of course remain here, for it is believed that they will be safer here than at some place up river completely out of touch.

JOHNSON

393.115/368

*Memorandum by the Assistant Chief of the Division of Far Eastern Affairs (Ballantine) of a Conversation With the Counselor of the Japanese Embassy (Suma)*

[WASHINGTON,] June 17, 1938.

Mr. Suma took occasion in connection with his call on another matter to bring up the subject of the return of American businessmen to Nanking. He said that the Embassy had been making earnest efforts in connection with our request for the removal of restrictions by the Japanese authorities upon the return to Nanking and other places in the lower Yangtze Valley of American businessmen. He said that the action of the Japanese authorities in granting passes to some missionaries to return was not a consequence of the note we had presented to the Japanese Government but was the result of a decision reached before the receipt of our note, which decision was in response to the representations made by the Japanese Embassy here to the Foreign Office in Tokyo. Mr. Suma observed that it was a coincidence that action in the matter had closely followed upon the receipt of the note. Mr. Suma said further that the Japanese Foreign Office was making earnest efforts to overcome the difficulties surrounding the return of American businessmen and hoped that favorable action would soon be taken, but expressed the hope that we would not press the matter, as he felt that Japanese psychology was such that the sending of further formal communications would tend to hamper the efforts of the Foreign Office in this direction.

I said that I appreciated the interest and efforts of the Japanese Embassy in this matter, but I expressed the hope that Mr. Suma would understand the very great importance of the matter to American business interests and the desirability of expediting favorable action.

J[OSEPH] W. B[ALLANTINE]

793.94/13254 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, JUNE 17, 1938—7 p. m.

[Received June 18—4 a. m.]

857. Following from Tokyo:

“June 17, 11 a. m. Your May 17, 1 p. m., Foochow’s May 13, 7 a. m., Tsangchienshan safety zone. Foreign Office has just informed us that our request that Tsangchienshan should be regarded as a temporary safety zone has been transmitted to the proper Japanese military and naval authorities. The note concludes as follows:

‘At the same time that the contents of the memorandum were transmitted, it was urgently requested, upon the condition that the Chinese Army does not utilize or take advantage of Tsangchienshan or its environs in a military sense, that orders be sent to the various military authorities at the front to recognize that area as a temporary safety zone in the event hostilities spread to the district around Foochow.’

Please repeat to Johnson, Foochow and to the Department as our number 386, June 17, 11 a. m. Grew.”

LOCKHART

394.1123 Thomson, J. C./4 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, JUNE 18, 1938—3 p. m.

[Received 4:51 p. m.]

120. My 117, June 15, 5 p. m., and 118, June 16, 6 p. m.<sup>11</sup> I have just received from the Japanese Consul General a note with an enclosure giving a report in Japanese of the findings of the Japanese military authorities regarding the Thomson incident. The Consul General’s note reads in part as follows:

“The Japanese military authorities, with deep concern about the matter, have made thorough investigations about the soldiers concerned. The result of the investigations, however, has revealed definite information as the attached report clearly shows, that the sentry never slapped Dr. Thomson across his face. The military authorities even have an eye witness who testified that the sentry never made such an attack upon Dr. Thomson and they are prepared to confront him with Dr. Thomson at any time.

This being the case, there is not only no opportunities of considering the three points raised in your note, but it must be requested that you will give deep considerations to insults given to the Japanese sentry, discharging his solemn duties, by an exaggerated and groundless report. In this connection, I expect that you will admonish Dr. Thomson adequately.

<sup>11</sup> Latter not printed.



I wish to inform you lastly that the Japanese military authorities reserve their liberty of taking adequate measures in the event of such cases as this, which subjects Japanese soldiers to insults, continuing to happen in future."

The report of the military authorities enclosed with the note from the Japanese Consul General attributes the searching of Dr. Thomson to the sentry's having mistaken him for a Chinese. It categorically denies any act of violence to Dr. Thomson's person.

I have orally informed a representative of the Japanese Consulate General that the matter will be referred to the Ambassador and the Department and that I do not feel inclined to take any further action until instructions are received. Dr. Thomson has expressed a willingness to make a sworn statement regarding the incident and I request authority to accept his affidavit under item 44 of the tariff of fees.

It seems to me that the final paragraph of the Japanese Consul General's note almost constitutes a threat against any American who reports misconduct on the part of Japanese soldiers. In my opinion there is not the slightest doubt of the veracity of Dr. Thomson's statement but I should appreciate any suggestions the Ambassador or the Department may wish to make as to all further action.

Sent to the Ambassador [at] Hankow, repeated to Peiping and Shanghai.

ALLISON

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394.1123 Thomson, J. C./8: Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, June 18, 1938—4 p. m.

199. Nanking's 117, June 15, 5 p. m., and 118, June 16, 6 p. m.,<sup>72</sup> repeated to you by Peiping. The Department desires that you bring this matter to the attention of the Japanese Foreign Office in such manner as you deem appropriate with the request that the competent authorities make a thorough investigation with a view to ascertaining the facts and circumstances and, if the facts and circumstances warrant, to taking appropriate steps (1) to punish the guilty soldier, (2) to express regrets for the incident, and (3) to prevent the recurrence of such unfortunate and uncalled for incidents.

You may add that, irrespective of the results of an investigation, we feel that the causes and circumstances which give rise to incidents of the character under reference might readily be prevented if the Japanese military authorities at Nanking were to impress upon Japanese

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<sup>72</sup> Latter not printed.

soldiery the importance of maintaining toward American nationals an attitude of civility.

Repeated to Nanking for repetition to Peiping and Hankow.

HULL

394.1123 Thomson, J. C./6 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, June 20, 1938—5 p. m.

[Received June 20—6:30 a. m.]

392. Department's 199, June 18, 4 p. m., assault on Dr. J. C. Thomson in Nanking. Appropriate representations were made by me in an interview with the Vice Minister for Foreign Affairs today supported by an *aide-mémoire*. I took occasion to add that irrespective of the results of an investigation my Government feels that the causes and circumstances which give rise to such incidents might readily be prevented if the Japanese military authorities at Nanking were to impress upon Japanese soldiers the importance of maintaining toward American nationals an attitude of civility. I spoke, furthermore, of the deplorable effect on American public opinion and therefore on Japanese-American relations of such incidents, pointing out that they inevitably served to set back whatever favorable effects were created by recent signs of a desire on the part of the Japanese Government to give greater consideration to American interests in China.

The Vice Minister expressed himself as in full concurrence with this view and promised an immediate investigation of the Thomson case.

Repeated to Shanghai for Hankow and Nanking.

GREW

394.1123 Scovel, Frederick G./27 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, June 20, 1938—5 p. m.

[Received June 20—11 a. m.]

380. 1. A secretary of the Japanese Embassy called this morning and read from a document received by that Embassy from its military authorities an expression of regret on the part of the Japanese military authorities for the wounding of Dr. Scovel. The incident is outlined in the document, all blame being placed on the "drunken" and "undesirable" Japanese soldier. It reports that regret was expressed to Scovel and his family by the Japanese authorities at Tsining and states that the soldier will be punished severely in accordance with the

army's laws and regulations. (The Secretary stated that we shall be orally informed later as to the punishment.)

2. A major of General Terauchi's staff called this afternoon, with an Embassy Secretary, and expressed the regret of the Japanese military authorities for the wounding of Scovel. He offered a solatium of \$400, to defray Scovel's medical expenses. I thanked him for the expression of regret and for the offer of the solatium but requested him to withhold the solatium until it was learned whether Scovel wished to accept it. He finally consented to do so.

Repeated to Embassies at Hankow, Tokyo, Consul [at] Tsingtao and Shanghai. By mail to Tientsin.

SALISBURY

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393.115 Carolina Leaf Tobacco Company/1: Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 20, 1938—6 p. m.

[Received 6:51 p. m.]

872. On June 11, 1938, the Carolina Leaf Tobacco Company, an American firm, informed me that 558 hogsheads of tobacco belonging to it and stored in the godowns of the Joint Savings Society north of Soochow Creek were found to have disappeared. The company stated further that on November 1, 1937, the day following the occupation by units of the Japanese naval landing party of these godowns, the company applied to the Japanese Consulate General through this office for permission to remove this cargo. The company made repeated requests but was not granted permission to visit the godowns until May 1, 1938, when the manager, together with representatives of the Japanese naval landing party and a Swiss subject inspected the godowns and found all tobacco had been removed; inasmuch as traces of tobacco, which was still dry, were found in the godown, the manager is of the opinion that the tobacco had been removed shortly before the date of inspection.

On May 12 I informed the Japanese Consul General of the above facts and requested that this American-owned cargo be located and returned without delay, reserving the right to claim compensation for any losses suffered by the company. In a reply dated June 14, the Japanese Consul General stated in part as follows:

"The godown of the Joint Savings Society had been occupied by Chinese troops since August 1937 and consistently fierce fighting was carried on in and around the godown between the landing forces of the Japanese Navy and the Chinese troops.

It was proved later that all hogsheads of tobacco stored there were used by the Chinese in place of sandbags to cover themselves from attack. The Japanese landing forces therefore seized all hogsheads of tobacco that remained there as booty after their occupation. In view of the foregoing I beg to inform you that to my regret neither the return of hogsheads of tobacco to the former owner nor any claims for damages in this connection can be taken into consideration."

In the meantime the manager of the company has been approached on several occasions by Chinese and Japanese "go-betweens" offering to sell this tobacco back to him which he has reason to believe has been sold by the Japanese naval landing party to tobacco merchants.

I am making further representations to the Japanese authorities here protesting against such arbitrary treatment of American property particularly when the original request to remove this cargo was made to the Japanese general by this office on November 1, 1937, and pointing out that the refusal of the Japanese authorities to return this cargo or to compensate for same is a very serious matter and has been referred to the Department.

Repeated to Hankow, Peiping and Tokyo.

LOCKHART

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394.1153 Smith Company, Werner G./15 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary  
of State*

SHANGHAI, June 20, 1938—7 p. m.

[Received June 20—5 p. m.]

873. Following from Tokyo:

"June 20, 4 p. m. Our 390, June 18, 8 p. m.<sup>73</sup> Wood oil of Werner G. Smith Company. The representations made at the Foreign Office late Saturday afternoon were repeated by me in an interview today with the Vice Minister for Foreign Affairs and were supported by an *aide-mémoire*. Referring to our memorandum presented to the Foreign Office on May 6, I entered an emphatic protest at the long delay in releasing this American property and stated that this delay as well as the unwarranted conditions which those responsible for its detention are seeking to attach to the release are becoming a matter of concern to my Government. I mentioned this case in connection with the representations reported in my 392, June 20, 5 p. m.

The Vice Minister promised an immediate investigation.

Please repeat to Nanking and to Department as our 391, June 20, 4 p. m. Grew."

LOCKHART

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<sup>73</sup>Not printed. It reported representations on the basis of Department's telegram No. 198, June 16, 3 p. m., via Shanghai, p. 359.

394.1123 Massie, T. H. Mrs./1 : Telegram

*The Consul at Tsingtao (Gourley) to the Secretary of State*

TSINGTAO, June 21, 1938—2 p. m.

[Received 2:10 p. m.]

On night of June 20th, Mrs. T. H. Massie, American citizen, wife of Lieutenant Massie of the U. S. S. *Tulsa*, escorted by two United States Navy enlisted men, one in patrol and the other in duty uniform, was stopped at head of pier by Japanese sentry who barred way with his gun and then slapped her across the face. Escorts interposed themselves between Mrs. Massie and sentry and managed to get her to street.

In representations to Japanese Consulate, Embassy's 227, of April 13, noon,<sup>74</sup> has been used as a guide.

Sent to Embassy [at] Peiping, Hankow and by mail to Tokyo.

GOURLEY

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393.115/343 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, June 21, 1938—3 p. m.

[Received 8:04 p. m.]

122. Tokyo's 385, June 16, 6 p. m.—return of Americans to Nanking. The following comments with regard to the observations of the Foreign Office official, quoted in the above mentioned telegram, may be of assistance.

It is believed that the Japanese contention that incidents affecting Americans might arise in Nanking through inadequate police protection is not entirely valid. It is probably true that some Japanese nationals have suffered at the hands of unruly Chinese but since the return to Nanking of the Embassy staff not a single report has come to our attention of Chinese harming foreigners (other than Japanese) in any way. The foreign population has amounted to approximately 35 persons placed in various parts of the city. Even granting the troop withdrawals mentioned, the Nanking garrison must still contain at least 5,000 men, from which it is believed adequate police protection could be provided.

The fact that Nanking is one of the principal bases for the attack upon Hankow and that there is considerable military activity here cannot be denied, but the possibility of foreigners conveying military information to the Chinese is certainly no [not?] great. They would,

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<sup>74</sup> Not printed.

of necessity, live inside the city walls, whereas most of the military activity takes place along the waterfront, the entrance of foreigners to which is restricted to officials and others holding special passes.

Stanley Bishop Rick, the American mentioned in Tokyo's telegram, has been to Nanking more than once, but he is the representative of a British lumber company and was brought here at the specific request of the Japanese military who wished to purchase lumber from his company. Pickering and Shields have however expressed a desire to make a temporary visit to Nanking to investigate the condition of their companies' property and to assess possibilities of resuming operations.

With regard to the Japanese request that the American Government not press for the return of an unlimited number of businessmen at this time, it should be pointed out that, as far as is known, there are not more than six American businessmen desirous of returning to Nanking at present.

Sent to Embassy, Hankow. Repeated to Shanghai. Shanghai please mail to Tokyo.

ALLISON

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894.1123 Thomson, J. C./10 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, June 22, 1938—4 p. m.

204. Your 392, June 20, 5 p. m., and Nanking's 120, June 18, 3 p. m., and 121, June 19, noon.<sup>75</sup>

1. The Department desires that you make a further approach to the Foreign Office and state that in the light of the circumstances of the incident, we cannot but consider the note sent by the Japanese Consul General to Allison as unsatisfactory. You may in your discretion add an expression of our hope that the Japanese Government will wish to issue instructions to the Japanese Consul General to withdraw his note.

You may also say that we do not wish to give publicity to the incident but that the attitude of the Japanese authorities at Nanking may impel us to do so.

2. The Department also desires that you make vigorous representations to the Foreign Office in regard to the Massie incident reported in Tsingtao's June 21, 2 p. m. which Peiping has been asked to repeat to you.

Repeated to Peiping for repetition to Hankow, Nanking and Tsingtao.

HULL

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<sup>75</sup> Telegram No. 121 not printed.

393.1162/104 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 22, 1938—6 p. m.

[Received June 23—7 a. m.]

888. 1. I have received a petition addressed to the Secretary of State and signed by 45 American doctors and nurses. The petition points out, firstly, that the medical profession is international and nonpolitical; secondly, that for decades mission hospitals have been centers for medical relief throughout the Yangtze Valley; thirdly, that for the past 5 months many American doctors and nurses have been refused permission to return to and carry on medical work in the area mentioned; fourthly, that because of this prohibition this area has been deprived not only of the services of medical missionaries but also of such relief as has been offered by other American agencies. The petition, therefore, requests that the Department of State "take up with the Japanese Government the question of the immediate return of these American doctors and nurses to the American owned institutions of the Yangtze Valley, in order that their work may be carried on without hindrance in these days of great medical need". I informed the petitioners that the substance of their petition has been telegraphed to the Department.

2. I explained to the committee who presented the petition the efforts which this Consulate General and the Embassy at Tokyo have exerted in the demurs set forth in the petition and assured them that these efforts would be continued.

3. In general the Japanese have shown more consideration to doctors and nurses than to any group of Americans desiring to return to the interior, the first group of Americans returning to Nanking being doctors and nurses and since June 1 other doctors and nurses have returned to that city. In every particular the return of missionaries including doctors and nurses to such large mission centers as Soochow, Wusih and Chinkiang has not yet been effected although the indications are favorable. Therefore, further representations made at this time would be most helpful.

Repeated to Hankow, Peiping and Tokyo.

LOCKHART

393.1163P92/125 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 23, 1938—1 p. m.

[Received June 23—8:25 a. m.]

889. Following from Tokyo:

"403, June 23, nonn. Your May 28, 10 a. m.; Department's 343, May 26, 6 p. m.<sup>76</sup>—American Presbyterian Mission, Lini. Following the recent return of of the commission referred to in our 385, June 16, 6 p. m., the Foreign Office has now given us oral assurances that their note of May 13 should not be interpreted as an indication of unwillingness to compensate mission for damages sustained and that this would be given equal consideration with all other similar cases; the Foreign Office further stated that there was no reason to treat this case differently from any other.

We therefore propose to take no further action in this case unless instructed.

Please repeat to Hankow and to Department as our 403, June 23, noon. Grew."

LOCKHART

793.94/13300 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, June 23, 1938—4 p. m.

[Received June 23—11:54 a. m.]

On 20th Canton-Hankow Railway bombed with minor damage to line. Hoihow, Hainan Island, and Pakhoi bombed and shelled without serious damage a little later in continuation of efforts to test defenses along South China coast.

On 21st a highway south of Canton was bombed at Tungkun with civilian casualties reported; also 11 bombs dropped at Wuchow in vicinity of air field with some damage to Standard Oil Company installation reported. I am protesting this to the Japanese Consul General at Hong Kong and would ask Embassy at Tokyo to take appropriate action in view of machine gunning of same property February 25th.

In raid on Canton on morning of 22nd some bombs were dropped in Wongsha station area and at Canton-Hankow line in city limits with some civilian casualties.

Sent to Peiping, Hankow, Shanghai. Shanghai please repeat to Tokyo.

LINNELL

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<sup>76</sup> Not printed.



393.1115/3321a : Telegram

*The Secretary of State to the Consul at Swatow (Young)*

WASHINGTON, June 23, 1938—6 p. m.

Your June 20, 2 p. m.,<sup>77</sup> and press reports of bombing attacks on Swatow. The Department is concerned with regard to the safety of Americans in Swatow and vicinity. The Department assumes that you are continuing to advise Americans to avail themselves of practicable means to withdraw, at least temporarily, from places of danger to places of safety. Please inform the Department by radio with regard to the number of Americans now at Swatow and state their principal activities.<sup>78</sup>

HULL

394.1123 Thomson, J. C./11 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, June 23, 1938—8 p. m.  
[Received June 23—1:05 p. m.]

406. Department's 204, June 22, 4 p. m.

1. In connection with the Massie case (see our 405, June 23, 7 p. m.<sup>77</sup>) and in continuation of the representations which I made at the Foreign Office on June 20 (our 392, June 20, 5 p. m.), the Thomson case was again taken up today with the Foreign Office. We stated that questions were asked about this case yesterday at the Secretary's press conference, that the American Government is not disposed to give the matter publicity, but that if the case is not speedily solved in a way satisfactory to us, full publicity to the facts would have to be given. As the first step toward such solution, the Consul General at Nanking should be directed to withdraw his letter to Allison. The Foreign Office replied that, according to a report received from the Japanese Consul General, the evidence available to the Japanese is that Thomson was not believed slapped as charged. The Foreign Office added that the single allegation by Dr. Thomson would not be considered sufficient to overcome such evidence, but that if the American authorities at Nanking could present evidence corroborating that of Dr. Thomson the Japanese authorities would be prepared to give the matter further consideration. We stated that if there were any doubt whatever as to the facts of the case as stated by Dr. Thomson, the occurrence of the Massie case would tend to remove such doubt.

<sup>77</sup> Not printed.<sup>78</sup> The Consul reported 29 Americans resident in Swatow.

2. The Foreign Office intimated that it would be glad to receive from us further information which would enable it to insist that the War Department instruct the military authorities at Nanking to take further action in the matter which would go toward meeting our wishes. I shall, of course, again take up and further press this case in my forthcoming interview with the Minister for Foreign Affairs.

Repeated to Shanghai for Nanking.

GREW

393.1162/105 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 24, 1938—9 a. m.

[Received June 24—7 a. m.]

892. Following from Tokyo:

"407, June 23, 9 p. m. Your 888, June 22, 6 p. m., return of American doctors and nurses to stations in the Yangtze Valley.

1. This matter was taken up again today with the Foreign Office. The Foreign Office supplied us with a list prepared in Nanking as of June 10 setting forth the applications of American citizens desiring to return to places under Japanese occupation along the Yangtze. There are included in the list the names of 26 American missionaries whose applications have been approved, and of these, 2 are connected with mission hospitals. In addition the application of Dr. G. S. Trew to return to Nanking has been approved. The Foreign Office states that all applications of American missionaries, doctors, and nurses received as of June 10 have been approved, and that it believes that applications received subsequent to June 10 will receive similar favorable consideration.

2. We believe that the Foreign Office here is actively interesting itself in this matter.

Please repeat to Department as our 407, June 23, 8 p. m. and to Hankow. Grew."

LOCKHART

393.115/347 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 24, 1938—10 a. m.

[Received June 24—8:50 a. m.]

893. Tokyo's 385, June 16, 6 p. m., relayed to Hankow and Nanking as our June 17, 3 p. m. Return of American businessmen to Nanking.

1. The British Consul General has informed me that the six British subjects who some time ago went to Nanking without Japanese passes and are now in the compound of International Export Company

which fronts on the river are having difficulties with the Japanese and are practically confined to the compound.

2. The Standard Vacuum Oil Company had made arrangements with the naval authorities to send an American to Nanking today on the U. S. S. *Isabel* but refrained from doing so when there was reported to its managers the substance of a conversation yesterday between Consul General Okazaki of the Japanese Consulate General and member of my staff.

3. The member of my staff informed Okazaki that we had been trying for a long time unsuccessfully to get Japanese passes for American businessmen who wished to return to Nanking and that the American Ambassador and the State Department were becoming increasingly concerned over the failure of the Japanese to permit them to return; [and that?] the Standard Vacuum Oil Company was understood to have made arrangements for its Nanking district manager to proceed on the U. S. S. *Isabel* on June 23 and Okazaki was urged to expedite the issuance of the necessary pass for him and the other American businessmen desiring to go to Nanking. Okazaki stated that he hoped no American would go to Nanking without a pass as some British subjects had done, as the Japanese would then have to refuse the issuance of all passes for Americans desiring to proceed to the interior. He said that the Japanese had planted sentries around the International Export Company premises in Nanking, thus confining the British subjects to the premises, and that the Japanese intended to require them to return to Shanghai and obtain passes before they would be given access to Nanking, or any other British subjects would be given passes for Nanking. He said that if we refrained from sending Americans to Nanking without passes he could assure this office that passes for American businessmen would be issued in "a week or 2 weeks". He requested that this be brought to my attention. Later Okazaki telephoned the Consulate General and was informed that in view of his assurances that passes would be granted for American businessmen to return to Nanking within a week or 2 weeks, the Standard Vacuum Oil Company was not sending its representative to Nanking at this time.

4. Thus far the Consulate General has only received applications from three American businessmen to proceed to Nanking and unless instructed to the contrary it will be my continued position that Americans should not proceed to Nanking or elsewhere, where the Japanese are known to be requiring passes, without such passes.

Repeated to Hankow, Nanking, Peiping and Tokyo.

LOCKHART

893.74/1010 : Telegram

*The Consul at Tsingtao (Gourley) to the Secretary of State*

TSINGTAO, June 24, 1938—noon.

[Received 7:35 p. m.]

Tsingtao Peace Maintenance Committee has issued new private radio receiving set regulations requiring owner of receiving sets to register and obtain permits from police. The only sets now permitted are long wave sets within the bands from 550 kilocycles or 545 meters to 1500 kilocycles or 200 meters. American owners of combined long and short wave sets object to registering under new regulations for fear they will no longer be allowed to use sets now in their possession and that such sets will become valueless even if no attempt is made to confiscate them. The regulations do not name clearly any penalty for noncompliance. Tsingtao American radio owners desire to know viewpoints of United States Government.

One American firm has already been refused permission to import a radio not meeting new wave length requirements. Japanese naval authorities are said to object to imports of such radios.

Sent to Hankow and Peiping.

GOURLEY

793.003/897 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 25, 1938—noon.

[Received June 25—8 a. m.]

902. The Japanese Embassy spokesman stated to the press here yesterday:

“Some third party nationals now residing in Japanese occupied territory in China appear to labor under the misconception that they are above Japanese law because they enjoy extraterritorial status insofar as China is concerned. That is wrong. In the same way that aliens do not enjoy special privileges in Japan, they are not entitled to special treatment in Japanese occupied territory in China. It may be possible that they seem to think differently because of their long residence in China, where they enjoy extra[territoria]lity.”

Repeated to Hankow, Tokyo, Nanking, Peiping.

LOCKHART

793.003/897 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, June 25, 1938—2 p. m.

211. Shanghai's 902, June 25, noon, quoting statement made by Japanese Embassy spokesman to the press in regard to extraterritorial status of Americans and other foreigners in Japanese-occupied territory in China.

The Department desires that in reference to the statement of the Japanese Embassy spokesman you seek an early occasion to make a further approach to the Japanese Foreign Office along the lines indicated in the Department's telegram 384, December 30, 3 p. m.<sup>79</sup> Also see your 15, January 10, noon.<sup>80</sup>

When you have made this approach please make report thereon to the Department by telegraph.

HULL

393.115 Hunt Company, William/35 : Telegram

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

HANKOW, June 25, 1938—3 p. m.

[Received June 25—10 : 20 a. m.]

316. Shanghai's 874, June 20, 8 p. m.<sup>81</sup> Admiral LeBreton<sup>82</sup> informs me of receipt of letter from captain of *Monocacy* at Kiukiang stating that he has received word from China Merchants<sup>83</sup> at that place that it will give him list of China Merchants floating equipment there which will be prepared to accompany *Monocacy* if and when *Monocacy* proceeds up river. China Merchants equipment to be filled with Chinese refugees. I have asked LeBreton to inform *Monocacy* that American Government does not recognize right of China Merchants property to American protection and that he should so inform China Merchants at Kiukiang. But situation is fraught with danger for *Monocacy* should these China steamers decide to surround and follow *Monocacy* upstream in view of Japanese practice of bombing merchant shipping on river. Shanghai should without delay tell Hunt and Company to advise China Merchants to leave Kiukiang independently of *Monocacy*. I have suggested to Admiral that *Monocacy* should inform Japanese through Shanghai of its whereabouts and whether merchant shipping nearby.

Sent to Shanghai.

JOHNSON

<sup>79</sup> *Foreign Relations*, 1937, vol. iv, p. 426.<sup>80</sup> *Ante*, p. 228.<sup>81</sup> Not printed.<sup>82</sup> Rear Adm. David McDougal LeBreton, commander, United States Yangtze Patrol.<sup>83</sup> China Merchants' Steam Navigation Company.

393.115 Hunt Company, William/36 : Telegram

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

HANKOW, June 27, 1938—11 a. m.

[Received 5:20 p. m.]

318. Department's 167, June 7, 6 p. m., second paragraph. A letter to Admiral LeBreton from the officer in command of the *Monocacy* at Kiukiang states that on June 15 the hulk of China Merchants hoisted the American flag; that he has been informed by the local manager of China Merchants that he had been instructed by the Chinese Government to hoist the American flag over its godowns, launches, offices and lighters. I respectfully request permission to notify Chinese Foreign Office that this whole question of the ownership of these properties has been carefully examined by the American Government and that it has not found that any proper transfer has taken place. Captain Conlan<sup>84</sup> reports that steamers of China Merchants will continue to fly Chinese flag as they have been commandeered by military.

Repeated to Shanghai.

JOHNSON

793.003/898 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, June 27, 1938—2 p. m.

[Received June 27—7:18 a. m.]

416. Department's 211, June 25, 2 p. m.—extraterritorial status of Americans.

1. Representations as desired by the Department were made to the Foreign Office today.<sup>85</sup> We referred to the Shanghai case described in the Department's 384, December 30, 1 [3] p. m.<sup>86</sup> and to the interview which I had with Hirota<sup>87</sup> on January 10 recalling that I had stated that the American Government would not recognize or give countenance to any attempt on the part of the Japanese to assert jurisdiction over American citizens. The Foreign Office replied that a telegram had been received over the week-end from the Japanese Ambassador at Washington who reported that the statement of the Japanese Embassy's spokesman at Shanghai had been prominently carried in the American press and had shocked the American public. The Foreign Office has taken steps to obtain from Shanghai the text

<sup>84</sup> Lt. Clarence V. Conlan, U. S. N., commanding U. S. S. *Monocacy*.

<sup>85</sup> See memorandum of June 27, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 769.

<sup>86</sup> *Foreign Relations, 1937*, vol. IV, p. 426.

<sup>87</sup> Koki Hirota, Japanese Minister for Foreign Affairs until May 26.

of the statement under reference. We intend therefore to make a further approach in the matter either tomorrow or the day after.<sup>88</sup>

2. In the absence of any official information on the subject, the Foreign Office was reluctant to express any opinion. We pointed out however that if the Japanese Government were to confirm and approve the statement made as reported, the position of the Japanese Government would be open to most serious implications including that of claiming rights of sovereignty in the areas under Japanese occupation in disregard of treaty commitments and declarations with regard to respecting the territorial integrity of China.

3. My British colleague informs me that he is making representations on this matter this afternoon.

Repeated to Shanghai for Hankow.

GREW

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393.1164 University of Shanghai/34 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 27, 1938—4 p. m.

[Received June 27—8: 35 a. m.]

912. My 835, June 14, 2 p. m.<sup>89</sup> regarding the University of Shanghai.

1. The Japanese Consul General came to see me late Saturday afternoon and handed me a letter, signed by himself, informing me that the Japanese military and naval authorities have decided to evacuate the premises of the Shanghai University on July 5. The letter also states that "the district where the University of Shanghai is situated is located within the area where, from the necessity of military operations, neither nationals of the third powers nor the Chinese are allowed to enter or reside." It is stated in the letter that the Japanese military and naval authorities are prepared to give favorable consideration to the matter of placing watchmen on the premises of the university and making necessary repairs to the property when they are informed of the details of the plan, provided that such plan "is not incompatible with the necessity of military operations". The letter further states that the matter of paying compensation for losses sustained by the university as a result of its use by the Japanese military forces will be considered later in connection with similar cases.

2. I made no commitment to the Japanese Consul General but observed that the conditions laid down by the Japanese military and naval authorities in connection with the return of the property would necessarily have to be brought to the attention of the mission authorities concerned and that this would be done today. I told Mr. Hidaka

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<sup>88</sup> See memorandum of June 30, *Foreign Relations, Japan, 1931-1941*, vol. 1, p. 770; also see memorandum of July 4, *ibid.*, pp. 605, 609-610.

<sup>89</sup> Not printed.

that the restrictions thrown around the use of the property would probably not be well received by the missionary authorities because they had previously informed the Consulate that the use of the property by the Baptist Mission would require free communication between the campus and the mission headquarters in the International Settlement; that it would require freedom to employ Chinese workers and servants and to transport materials and supplies and to do all that is normally done in connection with the residence of the members of the mission on the campus. I told Mr. Hidaka that the members of the mission felt very strongly on this point.

3. Mr. L. C. Hylbert, chairman of the Administrative Commission of the university, and Dr. M. T. Rankin, of the Mission Board, came to see me this morning at my request and stated that they did not see how they could consistently accept the return of the university on July 5 under the conditions and restrictions imposed by the Japanese. They hold that as stated above unless they have free access to and control of the property its return would be meaningless and that they could not conscientiously report to their home boards that the property had been returned to their control. These representatives believe and I share their belief that complications will arise with reference to visits, repair work and watchmen, especially in view of the fact that the grounds are located in an area which it seems now evident the Japanese intend ultimately to turn into a fortified military zone. The representatives are also apparently influenced by the unfavorable reaction which they feel would be loathsome amongst their large Chinese constituency if they should compromise the issue with the Japanese.

4. In view, firstly, of the important principle involved and, secondly, of the large sum of money at stake, namely, well over \$1,000,000 United States currency, the members of the board, at my suggestion, decided to refer the question to their head office. Unless on further consideration they should change their position, which I do not believe will be the case, they will recommend against accepting the return of the university on the conditions named. I personally believe that the offer which the Japanese have made to return the university is merely the preliminary step in an effort to purchase the property, inasmuch as it is in the immediate zone of an area which I believe it is intended to convert into a military zone. The area includes transient airfield and Point Island on which latter area there are American properties. I believe that the position of the board's representatives in recommending rejection of the offer has merit but I should greatly appreciate the views of the Department on this point for my guidance in further discussions with the board's representatives here.

Repeated to Hankow, Peiping and Tokyo.



793.003/899 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 27, 1938—4 p. m.

[Received June 28—7 a. m.]

914. Reference my 902, June 25, noon, regarding extraterritorial rights of third party nationals in China. Press reports June 26th state that Japanese Embassy spokesman described as "incorrect" statement previously ascribed to him. He is now said to have stated only that the Japanese forces do not recognize the extra[territoria]lity status of third party nationals in such cases as that involving searching of an American citizen by a Japanese shao [sentry?] in Nanking June 15th. (Thomson case.)

Repeated to Hankow and Peiping.

LOCKHART

393.1163/837

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

No. 1515

SHANGHAI, June 27, 1938.

[Received August 1.]

SIR: I have the honor to enclose copies of three letters<sup>90</sup> received within the last month from American missionaries at Nantungchow and Jukao, Kiangsu, which may be of interest to the Department as showing the conditions of restriction and interference by the Japanese military under which some American missionaries are attempting to carry on their work.

Among the conditions mentioned are: serious restriction of personal movements; unpleasant and indecent search of the person of a woman missionary; insistence that Americans remove their hats as a sign of respect to Japanese sentries; requirement that permission be obtained to operate a medical clinic; repeated trespass upon American property by Japanese soldiers; looting of effects belonging to Americans; maltreatment of Chinese while on American property; and forced removal of Chinese mission workers from mission property and their detention in a Japanese controlled refugee camp.

Respectfully yours,

FRANK P. LOCKHART

<sup>90</sup> None printed.

393.115 Hunt Company, William/37 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 28, 1938—3 p. m.

[Received June 28—1 p. m.]

918. 1. The substance of Hankow's 316, June 25, 3 p. m. to the Department was communicated orally to Hunt and he has also been informed of the hoisting of the American flag on the China Merchants properties described in Hankow's 318, June 27, 11 a. m. to the Department.

2. In a conversation with Hunt today he stated that William Hunt and Company have instructed their representative that under no conditions are the movements of the China Merchants vessels to obstruct or interfere with the free movement of the United States ship *Monocacy* in proceeding up or down river. Hunt stated that McDonnell<sup>91</sup> has returned from Hong Kong where a conference was held in which William Hunt and Company insisted upon the full delivery of the China Merchants property to William Hunt and Company and [China] Merchants, with the approval of the Chinese Government, have agreed to the delivery of same without further obstruction commencing with the delivery of the property at Kiukiang, Hankow and other river ports. Hunt also states that at other ports delivery has been completed. William Hunt and Company respectfully request that their taking over of the properties will not be interfered with or impaired by United States Government agencies and that the question of implementing the Department's decision will remain in abeyance pending the outcome of McDonnell's conference with Department officials (see my telegram No. 874, June 20, 8 p. m. and 894, June 24, 11 a. m.<sup>92</sup>). William Hunt and Company feel that the divulgence of the Department's decision officially or privately will severely damage them and most probably result in the Chinese when retreating destroying wharf property. They insist that they have been strictly ethical in this matter and they wish emphatically to assure the Department that the documents were not negotiated to give American protection to Chinese Government property. Hunt has repeatedly assured me that he was attempting to divest Hunt and Company of the vessels and lighters at Hankow and Kiukiang as distinguished from the wharves, godowns and equipment thereof and now confirms that he does not intend to take the vessels and lighters over but to make the illegal use of them by the Chinese Government resulting in their utter deterioration a matter of a claim against the Chinese

<sup>91</sup> R. T. McDonnell, general manager of William Hunt and Company, Shanghai.

<sup>92</sup> Neither printed.

Government. Hunt states that inasmuch as heavy financing is being effected at this time in view of meeting loan guarantees, he hopes for the Department's sympathetic cooperation and assistance.

Repeated to Hankow.

LOCKHART

393.115/356 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, June 28, 1938—6 p. m.

[Received June 28—7:51 a. m.]

421. Department's 212, June 25, 4 p. m.<sup>93</sup> In the light of the Department's extremely helpful telegram we are now assembling full data for my forthcoming interview with the Minister for Foreign Affairs including an itemized list of well over 100 specific cases of injury to American property in China by bombing, looting and other causes, of damage at the hands of Japanese troops. I propose to hand this list to the Minister at the beginning of our interview and then to take up seriatim the various points and principles set forth by the Department. Unless the Department sees some reason for delay I shall seek the interview with the Minister towards the end of this week, probably Friday.

Repeated to Shanghai for Hankow.

GREW

393.115/358 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, June 29, 1938—noon.

[Received June 29—7 a. m.]

394. Department's 153, June 15, 3 p. m. Telegraphic reports have now been received from Amoy, Chefoo, Nanking, Shanghai, Tientsin and Tsingtao.

Japanese interference with American trade at the above named ports is great and in the interior is complete. It includes denial of free movement of Americans; refusal to permit them to return to their properties and businesses, particularly in the Shanghai and Nanking areas; restrictions on the movement of cargoes; seizures of American goods; restrictions on shipping and other means of transportation; occupation of American properties; interference with Chinese employees of American firms; manipulation of currency; prohibition of shipments to the interior; new Japanese inspired customs tariff which

<sup>93</sup> Vol. III, p. 203.

discriminates against some American imports; multifarious taxation by Japanese controlled puppet organs; long delays involved in settlement of even clear-cut cases of interference. Financial losses incurred by American business as a result of this interference cannot be estimated without obtaining reports from American firms concerned.

Outstanding instances of such interference with American trade are given below:

1. Amoy. Since the Japanese occupation the business of the Standard Vacuum Oil Company formerly about \$450,000 monthly has decreased to less than 5 percent of that amount due to Japanese occupation and virtual blockade of Chinese transportation along Fukien coast; Texas Company has suffered similar percentage decrease and its representatives have not been permitted to return to Amoy.

2. Chefoo. Prohibition of shipments to the interior has reduced sales of the two American oil companies, formerly \$1,400,000 local currency and deposit, to one-tenth that amount, confined to sales in Chefoo. New currency regulations hamper importers of American goods and exporters of [lace] and embroidery to the United States.

3. Nanking. There is no longer any American trade in Nanking except small sales of lumber to the Japanese military. Representatives of American business firms have not been permitted to return.

4. Shanghai. Exclusion of Americans from Settlement area north of Soochow Creek and restriction in other areas in the vicinity of Shanghai; restrictions on cargo removals from above areas and difficulty in obtaining passes for such; restrictions on movement of cargoes and hindrances in connection with shipping on the Whangpoo and Yangtze Rivers and railway and highway transportation to the interior; occupation of properties; danger to shipping resulting from interference with the Whangpoo Conservancy Board; hardships resulting from new customs tariff; and long delays in settlement of cases with the Japanese authorities.

5. Tientsin. Manipulation of currency; transportation difficulties; high handed methods of fostering Japanese business, for example, this Embassy has been informed confidentially by an American insurance agent that Japanese firms with the assistance of Japanese and pro-Japanese Chinese officials are interfering to an extraordinary extent in the insurance business of Tientsin; that Japanese insurance agents are not only forcing Chinese firms under threats of physical violence to the firms' officers to take out Japanese insurance but compelling them to pay much higher rates than those offered by other firms; the informant states that recently he made a bid for the usual insurance business of the Peiping-Mukden Railway at the rate of 75 cents per thousand dollars but a Japanese firm obtained the business at a rate of \$3 per thousand.

6. Tsingtao. Numerous cases of indirect interference such as use of non-convertible currency; denial of use of wharves to other than Japanese vessels; hindrances on imports; obstacles placed in the way of an American tobacco firm in an effort to compel the company to purchase a large sum of "Federal Reserve Bank" notes with United States currency; prohibitions of shipments to the interior causing loss to American oil companies in particular; Japanese firms monopoly on freight car bookings on Tsingtao-Tsinanfu Railway.

Tientsin and Tsingtao report no interference with the shipment of supplies to American missions in the interior. Nanking and Shanghai report that such supplies can only be shipped to interior by American or British gunboats or by making special arrangements with the Japanese authorities. Chefoo reports that such shipments can only be made with consular assistance.

Copies of the six individual telegraphic reports are being mailed to Hankow and sent to Tokyo by courier leaving June 29th.<sup>94</sup>

Repeated to Hankow, Tokyo.

SALISBURY

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393.115 Hunt and Company, William/39 : Telegram

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

HANKOW, June 29, 1938—4 p. m.

[Received June 29—8:35 a. m.]

323. Shanghai's 918, June 28, 3 p. m. The only comment that I have to make upon statements made to Consulate by Hunt concerning delivery to William Hunt and Company of property of China Merchants at Kiukiang, Hankow and other river ports is that it is significant that this process is taking place only at a time when it is becoming obvious that active hostilities are approaching the ports concerned. Furthermore, I know of no personnel of William Hunt who are American and sufficient in number and present at ports in question who can or will take charge of such property. Process of delivery apparently consists merely in putting up new signboards and painting or hoisting American flags. If this is permitted to continue, the presence of flag upon bona fide American interests cannot but be brought under suspicion. We should not permit Chinese Government to continue in the dark as to our attitude.

Repeated to Shanghai.

JOHNSON

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394.1153 Smith Company, Werner G./18 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, June 29, 1938—4 p. m.

408. Following for Tokyo:

"220 June 29, 4 p. m. Your 391, June 20, 4 p. m.,<sup>95</sup> and Nanking's 127, June 27, 4 p. m.<sup>96</sup> (which Shanghai has been requested to repeat to you) in regard to wood oil of Werner G. Smith.

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<sup>94</sup> Cf. telegram No. 399, June 30, 1938, 3 p. m., from the First Secretary of Embassy in China, *Foreign Relations, Japan, 1931-1941*, vol. 1, p. 771.

<sup>95</sup> See telegram No. 873, June 20, 7 p. m., from the Consul General at Shanghai, p. 367.

<sup>96</sup> Not printed.

The Department desires that, in such manner as you deem appropriate, you ask the Foreign Office whether any reports of the investigation promised have been received and express your Government's increasing concern over the continued delay in the release of the wood oil."

Please repeat to Tokyo Nanking's 127, June 27, 4 p. m., and inform Nanking of action taken.

HULL

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894.1153 Smith Company, Werner G./17 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 29, 1938—4 p. m.

[Received June 30—7 : 30 a. m.]

926. Reference Shanghai's 820, June 11, 8 p. m., Nanking's 115, June 15, noon, 127, June 27, 4 p. m. and Department's 377, June 13, 6 p. m.<sup>97</sup>—wood oil of Werner G. Smith Company. I have received a letter today from the Japanese Consul General stating that although the information supplied by this Consulate General "was not completely satisfactory to the Japanese naval authorities in proving the ownership of the oil it was decided to give a special consideration for this case and release the oil on the understanding that it will be kept on board of the junks at Nanking until such time as its removal down to Shanghai becomes feasible without causing friction. It is understood that this does not constitute a precedent in the settlement of similar cases in the future". A member of my staff this afternoon discussed the case with the Japanese consular officer handling the matter. The latter stated that the Japanese naval authorities at Nanking would release the oil to the authorized American representative of the Werner G. Smith Company there, but only on the condition that the oil be kept in the junks, that the junks be brought down to Nanking and turned over to the U.S.S. *Oahu* to be placed in the concentration of American vessels now at Nanking. He added that due to the pressure of Japanese military and naval traffic on the Yangtze River the Japanese naval authorities would definitely not permit the shipment to be transported to Shanghai, nor could they give any assurances as to when such transportation might be effected. In response to an inquiry as to whether, after the release was made, the authorized representative of the Werner G. Smith Company would be permitted to remove the oil from the junks and store it in the Jardine Matheson hulk at the Hogue<sup>98</sup> installation pending its ultimate shipment to Shanghai, he replied that such a disposition of the oil would require a further consideration by the Japanese naval authorities.

<sup>97</sup> None printed.

<sup>98</sup> International Export Company.

If the release, as proposed by the Japanese naval authorities, is accepted, it is true that the cargo would be placed in a location where it might be more easily safeguarded from possible theft or ignition, but the terms of the release are such as would result merely in removing the oil from the immediate control of the Japanese naval authorities and yet leave it at the same time subject to the restrictions placed by the Japanese upon its transportation to Shanghai.

The Department's instructions are respectfully requested.

Repeated to Hankow and Nanking.

LOCKHART

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393.1164 University of Shanghai/34 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, June 29, 1938—5 p. m.

409. Your 912, June 27, 4 p. m., in regard to the University of Shanghai. The Department is inclined to concur in the view expressed in the first part of the final sentence of paragraph 4 of your telegram under reference. Although we feel that return of the property subject to the conditions mentioned in your telegram would not produce a satisfactory situation and are prepared to authorize continuance of endeavors, in every way practicable and appropriate, toward obtaining the return of the property to the occupancy and control of its American owners, responsibility for reaching a decision in the immediate matter rests with the mission authorities.

Please repeat to Hankow, Peiping and Tokyo.

HULL

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393.115 Hunt Company, William/42 : Telegram

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

WASHINGTON, June 29, 1938—7 p. m.

194. Your 318, June 27, 11 a. m., in regard to hoisting of American flag over China Merchants' property at Kiukiang. Your request approved. It is suggested that, if you find that the Chinese Government did in fact issue instructions to the Kiukiang manager to hoist the American flag over China Merchants' properties there, you ask the Chinese Foreign Office to have that instruction cancelled. Please report further developments.

Please repeat to Shanghai.

HULL

393.115 Hunt and Company, William/41 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, June 29, 1938—7 p. m.

413. Your 918, June 28, 3 p. m. Please inform William Hunt and Company that Department is implementing its decision only to the extent necessary to interdict American protection of China Merchant properties and prevent improper use of American flag in connection with such properties. For example, the development reported at Kiukiang in Hankow's 318, June 27, 11 a. m., has compelled the Department to authorize an approach to the Chinese Government by the American Ambassador along the lines indicated in the final sentence of Hankow's 321, June 28, 3 p. m.<sup>99</sup>

Please repeat to Hankow.

HULL

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393.115 Carolina Leaf Tobacco Company/3 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, June 30, 1938—noon.

414. Your 917, June 28, 2 p. m.<sup>1</sup> Please transmit the following to Tokyo, together with any addition[al] information you may have obtained since sending your 872, June 20, 6 p. m.:

"224. June 30, noon. Your 418, June 28, 3 p. m.,<sup>1</sup> in regard to the Carolina Leaf Tobacco Company case. The Department desires that you bring this case to the attention of the Foreign Office in such manner as you may consider most likely to prove effective. The Department suggests that you point out the manifest lack of any logical basis for the position taken by the Japanese Consul General in his reply to our Consul General's representations, and request that steps be taken by the competent authorities as soon as possible to effect a return of the tobacco to the American company or to compensate the company in full for the loss thereof."

HULL

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793.94/13355 : Telegram

*The Consul at Tsingtao (Gourley) to the Secretary of State*

TSINGTAO, June 30, 1938—7 p. m.

[Received July 1—8:30 a. m.]

Embassy's telegram June 1, 4 p. m. Following is monthly telegraphic summary for June.

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<sup>99</sup> Not printed. Ambassador Johnson told a representative of Mr. Hunt that if the latter did not act soon to clear up this matter with the Chinese authorities he himself would tell them that transfer to American protection had not been accomplished. (393.115 Hunt and Company, William/38.)

<sup>1</sup> Not printed.



City of Tsingtao was quiet throughout June. Japanese continued to keep garrisons along railway but traffic on railway was stopped from June 23 to June 26 during which time track was damaged in at least 3 places beyond Chengyang a station about 20 miles from Tsingtao and 1 freight train was reported to have been derailed and looted by guerrillas. It is generally predicted that guerrilla activities near railway are on increase with growth of Kaoliang. American citizen tobacco buyers fearing isolation at Ershihlipu returned to Tsingtao believing that situation will not improve for at least 6 weeks.

Away from the railway the Japanese are far from in control of the situation. Pingtu and Chucheng have been evacuated. Tsimo, 30 miles from Tsingtao, is one of the few towns off the railway in Japanese hands but Japanese are not in possession of surrounding area and main road is damaged frequently. Ichowfu or Lini is reported more or less stirred by Chinese guerrillas but Japanese garrison there has sufficient supplies to hold out for some time. Guerrillas are active very close to Tsingtao in mountainous regions to northeast. By damaging roads and bridges guerrillas make it difficult or impossible for Japanese to keep garrisons in interior towns.

Unsuccessful in meeting guerrilla tactics Japanese are following policy of dropping bombs from airplanes on numerous villages in almost all parts of this general area. According to missionary reports bombs are often dropped on village market days killing many innocent civilians. Foreign missions are endangered by this bombing policy. American Southern Baptist Mission School compound at Pingtu were bombed on June 15th with much damage to buildings. American Lutheran Mission girl school compound at Tsimo was bombed on June 25 with great harm to buildings. Fortunately Americans escaped injury but at Tsimo 1 American was in great danger. Motives for these bombings are unknown. Swedish Baptist [Mission] at Chungcheng also threatened, requested protection. On June 16 a Japanese sentry slapped Chinese steward, regularly enlisted member of U. S. S. *Trunnsmell*.

On June 17 Japanese civilian member [of] Japanese military special mission arbitrarily seized keys of 126 bathing boxes belonging to foreign Consuls and other foreigners, in some cases throwing away contents. One week later keys were returned with explanation that seizure was a mistake. On the 25th of June Japanese naval gendarmes seized keys, smashed notices and removed some furniture from the International Recreation Club in which Americans invested. Naval authorities later admitted [announced] seizure was however mistake but still wish to use club premises. New regulations prevent importation and use of short wave radio.

Sent to Peiping. Repeated Hankow and by mail to Tokyo.

GOURLEY

893.74/1010 : Telegram

*The Secretary of State to the First Secretary of Embassy in China  
(Salisbury), at Peiping*

WASHINGTON, July 1, 1938—1 p. m.

172. Tsingtao's June 24, noon. In its instruction number 1426 of August 8, 1934, to Peiping,<sup>2</sup> the Department concurred in the Embassy's position that objection should not be raised to the voluntary registration of American-owned receiving sets in accordance with the regulations of the Chinese Government. In its instruction number 273 of October 13, 1936, to Peiping,<sup>3</sup> the Department took the position that it would be prepared to give sympathetic consideration to any regulations which the Chinese Government might draw up designed to cover the operation of amateur radio stations in China, provided the regulations were made applicable to nationals of all countries, Chinese and foreign, resident in China.

It is suggested that you bring the foregoing instructions to the attention of the Consul at Tsingtao as background, and instruct him that quite aside from considerations of the status of the régime at Tsingtao, American owners of short-wave radio sets are under no obligation to register with and apply for permits from local authorities and that he may so inform Americans and advise them to refer authorities of the Peace Maintenance Committee to the Consulate. The Consul should endeavor, through appropriate representations, to render assistance to Americans should the local authorities interfere with the use by them of short-wave sets.

HULL

393.115 Hunt and Company, William/43 : Telegram

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

HANKOW, July 1, 1938—2 p. m.  
[Received July 1—12:25 p. m.]

325. Your 194, June 29, 7 p. m. I have today addressed the following letter to the Minister for Foreign Affairs:

"Dear Mr. Minister: By a letter dated June 15, 1938, the commanding officer of the U. S. S. *Monocacy* at Kiukiang informed Admiral Le Breton that on June 15 the hulk of the China Merchants Steam Navigation Company, Government owned shipping company, at Kiukiang had hoisted the American flag. Upon inquiry the commander of the *Monocacy* was informed by the local Kiukiang manager of the China Merchants Steam Navigation Company that the com-

<sup>2</sup> *Foreign Relations*, 1934, vol. III, p. 628.

<sup>3</sup> Not printed.

pany had received instructions from the Chinese Government to hoist the American flag on its hulks, godowns, offices, launches and lighters. It was understood that the Chinese Government owned property had been taken over by William Hunt and Company, an American company, with offices in Shanghai. The commanding officer of the U. S. S. *Monocacy* was instructed to inform the manager of China Merchants Steam Navigation Company that the American Government, after examining very carefully into William Hunt and Company's claim to title to the properties of this well known Chinese Government owned shipping company, has not found any evidence of transfer of absolute and indefeasible title to these properties to William Hunt and Company and that under the circumstances no protection will be extended to these properties by American representatives. This information has been transmitted to the local manager of the China Merchants Steam Navigation Company at Kiukiang by the commanding officer of the U. S. S. *Monocacy*, but as this same question appears likely to arise at other places in China, where William Hunt and Company is claiming to have taken over these properties, it seems wise that I communicate the above facts to you in order that you may take such steps as may be necessary to have orders to hoist the American flag over these properties of the China Merchants Steam Navigation Company canceled. I am sure that you will agree with me that only in this way will much embarrassment and misunderstanding be prevented."

Repeated to Shanghai.

JOHNSON

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394.1153 Smith Company, Werner G./19 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, July 1, 1938—5 p. m.

419. Your 926, June 29, 4 p. m., wood oil of Werner G. Smith Company. If you have not already done so, please repeat to Tokyo your telegram under reference. Also say, as from the Department, that in the light of the information contained in your 926, the Department assumes that the American Embassy will in its representations stress the Department's concern not only by reason of the delay but by reason of the unwarranted conditions which those responsible for the detention of the wood oil are seeking to attach to its release.

HULL

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793.94/13357 : Telegram

*The Consul at Swatow (Young) to the Secretary of State*

SWATOW, July 1, 1938—10 p. m.

[Received July 2—7 a. m.]

From 4:30 to 6 p. m., 9 Japanese bombers dropped 71 bombs without warning indiscriminately on various parts of Swatow causing

probably 50 deaths among Chinese and unknown number wounded. Father William J. Downs, American of Maryknoll Mission, slightly wounded and his house demolished; no other American casualties.

YOUNG

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393.115/377 : Telegram

*The Consul at Amoy (Altaffer) to the Secretary of State*

AMOY, July 5, 1938—9 a. m.  
[Received July 6—9:20 p. m.]

After several false starts caused by misunderstanding between the Japanese Consul General and the Japanese naval authorities in Amoy, foreigners and certain employees of foreign firms were permitted to return to Amoy. American industries with stocks stored in Amoy generally found their property intact. Chinese refugees were permitted to return to Amoy from June 27th after procuring certificates of inoculation and vaccination from Japanese physicians and payment of \$1 registration. A Peace Maintenance Society was set up in Amoy on or before June 21st by the Japanese in lieu of a municipal government. This body is generally composed of discredited Chinese petty politicians who have been out of office or jobs for years. Amoy quiet during June with small Japanese occupying force of not more than 1000 marines.

AmEmbassy, Peiping, to Department.

ALTAFFER

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793.94/13235 : Telegram

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

WASHINGTON, July 5, 1938—6 p. m.

196. Reference is made to your telegram No. 293 of June 15, noon,<sup>4</sup> giving Commander-in-Chief's message on withdrawal of gunboats from a specified area in the discretion of the Commander of the Yangtze Patrol after full and complete opportunity had been offered for evacuation of American nationals.<sup>5</sup> Reference is also made to the telegram from the Commander of the Yangtze Patrol bearing date group 0029<sup>4</sup> from which it is noted that the plan of the Commander of the Yangtze Patrol to have the *Monocacy* remain at Kiu-kiang was unchanged.

Department realizes that the Commander of the Yangtze Patrol must necessarily take into consideration circumstances which may

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<sup>4</sup> Not printed.

<sup>5</sup> See telegram No. 0012, June 13, 1938, from the Commander in Chief of the United States Asiatic Fleet to the Commander of the Yangtze Patrol, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 600.

change from day to day. The Department notes, however, from your 300, June 17, 10 a. m., that the Consulate General on June 13 issued a telegraphic warning to Americans at Kiukiang and Kuling and that this warning was supplemented by a circular instruction. The Department would appreciate the receipt of a telegraphic report giving with as much accuracy as practicable the number of Americans now at each of these two places and any additional information which may be available with regard to their future plans; and would welcome whatever indication it may be possible for you to give in regard to probable future movements of the *Monocacy*.

The Department suggests that you discuss these two matters with the Commander of the Yangtze Patrol and that you then give the Department the benefit of his and your observations.

HULL

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393.1115/3347 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, July 5, 1938—7 p. m.  
[Received 8:10 p. m.]

422. In view of reports of activities of irregulars or guerrillas in the area west of the railway from Tientsin to Shanhaikwan, it is suggested that you bring to the attention of the appropriate authorities the presence of American citizens at mission stations along the railway as well as the large summer colony of American citizens at Peitaiho, and request that provision be made for their full protection.

Sent to Tientsin. Repeated to the Department, Embassy [at] Hankow for the Ambassador.

SALISBURY

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394.1123 Massie, T. H. Mrs./12 : Telegram

*The Consul at Tsingtao (Sokobin) to the Secretary of State*

TSINGTAO, July 5, 1938—9 p. m.  
[Received July 5—6:33 p. m.]

With reference to the Massie case, I have been handed a letter dated July 4 addressed to me by my Japanese colleague as follows:

"I have to acknowledge the receipt of your letter, under date of 21st June 1938 in regard to a case in which Mrs. Massie, an American citizen, became involved with a Japanese sentry on the night of 20th June, and have the honor to state in reply that I [*it has?*] now been intimated by the Japanese naval authorities in Tsingtao that an understanding was already reached between the American and Jap-

anese naval authorities with regard to the final settlement of the case.

I have further been informed by the Japanese naval authorities that in view of the fact that the case in question originated solely in the misunderstanding caused by the ignorance of the languages of the people involved and cases of this kind could have been avoided should both parties have been more considerate, the Japanese naval authorities already issued instructions to all of the naval units stationed here to be more thoughtful in dealing with foreign nationals. I trust that you will no doubt share our feeling of depreciation [*deprecation*] and will take necessary steps to advise your nationals resident in Tsingtao to take full cognizance of the abnormal situation prevailing here and act with discretion whenever they come into contact with Japanese sentries.”

I have not seen any of our American naval authorities since the call of the Japanese naval authorities referred to. The U. S. S. *Augusta* arrived in Tsingtao the afternoon of July 3 and I believe that the call was made by the Japanese Chief of Staff on our Chief of Staff.<sup>6</sup>

Sent to Hankow, Peiping, by mail to Tokyo.

SOKOBIN

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793.003/902 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, July 6, 1938—1 p. m.

[Received July 7—7 a. m.]

951. My 902, June 25, noon; my 936, July 1, 3 p. m.; Tokyo's 416, June 27, 2 p. m.; and 431, June 30, 5 p. m.<sup>7</sup>

1. In issuing passes recently to American missionaries to proceed to the interior Japanese military authorities provided them (but are not now doing so) with a written statement intended to guard them in their movements and activities. This statement in its original form contained the following.

“As third power nationals residing in Japanese occupied areas are not entitled to enjoy extraterritorial privileges as is the case in Japan, during the period of military occupation, you are requested to abide by all military orders and regulations with regard to living, travel, business, curfew, photography, removing cargo, printing and meetings, other than religious nature, promulgated by the Japanese military in the area.”

In a copy of the statement handed to this office by an American missionary, this paragraph had been amended, according to his statement, by the Japanese military, to read as follows:

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<sup>6</sup> Capt. R. F. McConnell, U. S. N.

<sup>7</sup> Nos. 936 and 431 not printed.

"As third power nationals residing in Japanese occupied areas are not entitled to enjoy extraterritorial privileges insofar as Japanese military forces concerned, et cetera, et cetera."

Repeated to Hankow and Tokyo.

LOCKHART

394.1153 Smith Company, Werner G./20 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, July 7, 1938—9 a. m.

[Received July 7—7 a. m.]

956. Following from Tokyo.

"July 6, 6 p. m. Your 926, June 29, 4 p. m., and previous on the wood oil case. We have recently had several discussions on this case with the Foreign Office, which stresses that the chief difficulty in the way of settlement lies in the insistence of the Japanese naval authorities that their rule must be kept intact, that the Yangtze is not yet open to commercial traffic. We pointed out that it is a poor rule that can not be broken. However, it is our belief that the real difficulty is Japanese suspicion that there is substantial Chinese propriet[ar]y interest in the wood oil shipment. We suggest that the Department may wish, in the light of such recommendation as you may wish to make, to authorize you to give the Japanese Consul General at Shanghai a simple and clear undertaking that the shipment is American property.

Please repeat to the Department and Hankow as our 443, July 6, 6 p. m. Grew."

LOCKHART

393.1115/3354 : Telegram

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

HANKOW, July 7, 1938—10 a. m.

[Received July 7—7 a. m.]

341. Department's 196, July 5, 6 p. m. There are at the present time some 10 American citizens in the city of Kiukiang and some 50 American citizens at Kuling. These Americans have been warned to evacuate but will remain there, some to perform duties connected with their work as missionaries or owners of property, others for reasons of health or because they have no other place to which they may go. In any case evacuation now would be impossible except into the interior as transportation by river is now cut off because of mine field between here and Kiukiang now being laid. It has been and is the intention of the commander of the Yangtze Patrol to leave *Monocacy* at Kiukiang with orders to move away from areas of actual fighting at discretion of commanding officer whose announced intention is to

move ship some 3 miles above Kiukiang. Chinese and Japanese authorities will be constantly informed of whereabouts of *Monocacy*. I feel that *Monocacy* can and will perform needed service to American interests in and near Kiukiang at this time. Above sent after consultation with commander of Yangtze Patrol. May I add that Americans involved are not casuals but persons with interests and property. The danger to them will or should be no greater than that which has threatened Americans at other places during these hostilities.

JOHNSON

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394.1153 Smith Company, Werner G./21 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, July 7, 1938—4 p. m.

[Received July 7—11:40 a. m.]

961. Tokyo's 443, July 6, 6 p. m.<sup>8</sup>

1. The Japanese authorities both at Nanking and Shanghai have repeatedly been assured that the wood oil is the property of the Werner G. Smith Company, an American concern at Hankow. The Consulate General endeavored some weeks ago without success to obtain from Hankow documentary proof of ownership to support this statement. The Japanese authorities, although not entirely satisfied, have now tacitly recognized American ownership.

2. The Japanese naval authorities' contention that the Yangtze is not yet open to commercial traffic is only partially true because Japanese vessels pass freely up and down the Yangtze between Shanghai and Nanking and have accepted freight.

Repeated to Hankow and Tokyo.

LOCKHART

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393.115/385 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, July 8, 1938—7 p. m.

233. Your 448, July 7, noon.<sup>9</sup>

1. Department is alive to the unfortunate effects of ill-advised and badly-timed publicity and welcomes the specific data and comment which you give on that subject.

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<sup>8</sup> See last paragraph of telegram No. 956, July 7, 9 a. m., from the Consul General at Shanghai, p. 394.

<sup>9</sup> Not printed; it concerned American press statements mentioned in Ambassador Grew's memorandum of July 4, *Foreign Relations*, Japan, 1931-1941, vol. 1, pp. 605, 608.



2. You may in your discretion inform the Minister for Foreign Affairs substantially as follows :

We are gratified to note the statement that the Japanese authorities are all zealously working for local settlements of incidents affecting American nationals and property; we have also noted the Foreign Minister's view that publication in the American press by the American Government of incidents which are progressing towards local settlements tends to delay such settlements.

We have noted with appreciation the Foreign Minister's views but regret that we find unconvincing the reasons adduced for delays in making settlement of cases. In cases affecting American interests, the American Government has consistently endeavored to follow a procedure calculated to meet the situation most effectively without arousing public feeling. For this reason in regard to matters pending with the Japanese authorities it has been our practice to refrain from giving publicity to the facts and to our representations except in cases where the matters have already been given publicity elsewhere—which occurs in most instances—or in cases such as that of the University of Shanghai where the American interests concerned, because of apparent lack of progress toward a local settlement, become growingly insistent upon formal action and upon public knowledge of what is being done.

3. The press is aware that there exists a standing instruction under which the Embassy proceeds in regard to certain types of cases without express immediate instruction from Department; and some press correspondents make it their practice to write, as soon as they learn that an incident has occurred and without having any information from the Department, stories to the effect that the Embassy has made representations. We do what we can to discourage this practice.

4. The Department of course made no such statement as that quoted in the middle of your telegram's second paragraph, and we hope that when Japanese officialdom or press give publicity or credence to press reports attributing injudicious or inept statements to the Department the Embassy will be skeptical of the accuracy thereof and will venture, when opportunity occurs, to suggest to persons who may mention and appear to rely on such reports that the reports may be inaccurate.

HULL

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394.1123 Massie, T. H. Mrs./17 : Telegram

*The Consul at Tsingtao (Sokobin) to the Secretary of State*

TSINGTAO, July 9, 1938—9 a. m.

[Received 4:45 p. m.]

Department's July 6, noon.<sup>10</sup> The Consulate has received from the Commander-in-Chief, Asiatic Fleet, a memorandum prepared by

<sup>10</sup> Not printed.

the fleet intelligence officer <sup>11</sup> in regard to discussion which took place between Japanese Chief of Staff and our Chief of Staff. The memorandum sets forth that the Japanese naval officer expressed,

- (1) The regrets of the Japanese Navy;
- (2) That the action of the sentry could not be justified;
- (3) That "there were, however, extenuating circumstances and the fault was not entirely with the sentry" who assumed that Mrs. Massie was not [*sic*] one of the women he was trying to keep off the pier and that he also assumed that she had succeeded in getting by him and [becoming] "angry at the woman struck her";
- (4) That the sentry was wrong in making an unwarranted assumption;
- (5) That the Japanese Navy was anxious to prevent incidents of this nature and had given strict instruction;
- (6) That the Japanese Navy was willing to cooperate in every way in order to prevent incidents of this nature;
- (7) That the Japanese Navy desired to settle such incidents locally without reference to the home governments;
- (8) That the Japanese Navy regretted that our naval personnel appeared to believe a Japanese naval sentry had deliberately struck and insulted wife of a United States naval officer.

The memorandum further sets forth that the Chief of Staff, United States Asiatic Fleet, in reply stated:

"(1) The United States Navy regretted the incident and was very anxious to prevent incidents of this kind.

(2) The United States Navy would cooperate to the fullest extent to prevent incidents.

(3) The present case was being handled by the United States State Department and the United States Navy had neither made nor received any communications with Japanese authorities in regard to the incident."

The memorandum was transmitted with a letter addressed to me in which Admiral Yarnell stated *inter alia*:

"In view of the facts as set forth in the memorandum it is not exactly accurate to say that understanding has been reached between the American and Japanese naval authorities with regard to the final settlement of the case. However, the Japanese Chief of Staff has expressed regrets, instructed that the Japanese naval authorities will cooperate to prevent similar incidents in the future and has stated that Japanese naval sentries have been given strictest instructions in regard to United States naval personnel and dependents. I am, therefore, of the opinion that nothing is to be gained by continuing the controversy and that the incident should be considered closed. The Japanese naval authorities have shown a conciliatory attitude in this matter, and I believe really desire to prevent incidents of this kind."

Sent to Hankow, Peiping. By mail to Tokyo.

SOKOBIN

<sup>11</sup> Lt. Comdr. H. H. Smith-Hutton, U. S. N.  
258175—55—26

393.1115/3369 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, July 9, 1938—3 p. m.

433. Associated Press dispatches dated Shanghai, July 9, state that Japanese authorities have sent memoranda to diplomatic representatives of neutral powers warning that neutral vessels and nationals along an 80-mile stretch on the Yangtze are endangered by spreading warfare, and stressing "the desirability of voluntary evacuation" along the Yangtze between Pukow and Wangshikong, and that the area outlined includes Kiukiang and Kuling.

On July 7 Department telegraphed Hankow as follows:

"Your 341, July 7, 10 a. m., and previous. Department hopes that in the light of Commander-in-Chief's 0012-1335<sup>12</sup> and *Monocacy's* 1006-1515<sup>13</sup> *Monocacy* will promptly fix and give notice of intended date of departure from Kiukiang and in due course withdraw from area where hostilities are impending. Please keep Department promptly informed."

Department realizes that it is impossible for us here to judge the details and have the "feel" of the situation with the degree of qualification for deciding what steps should be taken from moment to moment that are possible to officers on the spot. However, we feel that Commander-in-Chief's 0012-1335 constitutes a very sound guide to procedure which should be followed. All officers who have to make decisions should understand clearly that this Government earnestly desires that unnecessary risks be not taken and chance of there occurring another Panay incident be avoided just as far as possible. In the light of telegrams from Hankow, Department assumes that few if any of the American nationals now at Kiukiang and/or Kuling will be willing to board the *Monocacy*. It cannot be expected that *Monocacy* will send out landing parties. Would not giving by the *Monocacy* of notice of intended departure, with offer of transportation, lead to embarkation by such American nationals as are willing to leave? Would any further standing by of the *Monocacy* serve any useful purpose in regard to those not willing to leave? Would not the situation locally and the national interests of the United States and the policy which this Government is following be best served by the procedure indicated in Department's telegram to Shanghai of July 7 quoted above?

Department offers no opinion as to substance of reply that diplomatic representatives of the powers should make to the new Japanese warning, if given as stated in the Associated Press story mentioned

<sup>12</sup> *Foreign Relations, Japan, 1931-1941, vol. I, p. 600.*

<sup>13</sup> See telegram No. 0006 of July 6, 3:15 p. m., from the Commander in Chief, United States Asiatic Fleet, to the Chief of Naval Operations, p. 153.

above. However, Department hopes that all American authorities concerned will in conferring with the authorities of other powers, and in making reply, have constantly in mind that this Government is endeavoring to pursue a course which takes full cognizance of the fact that hostilities are in progress and that where such is the case absolute immunity from danger or harm cannot be guaranteed to and is likely not to be afforded to other persons and property either by the combatants or by their own Governments. On this basis, while we assent to no impairment of our rights, we feel that all efforts made in defense of these rights should be in accordance with principles of reason and of proportion as outlined in various public statements of the Secretary of State.

Please bring the whole of the above immediately and informally to the attention of the Commander-in-Chief.

Repeat to Hankow.

HULL

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394.1153 Smith Company, Werner G./24 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, July 9, 1938—5 p. m.

Following for Tokyo:

“236. July 9, 5 p. m. Your 443, July 6, 6 p. m.,<sup>14</sup> and Shanghai’s 961, July 7, 4 p. m., wood oil of Werner G. Smith Company.

1. Department considers that the Japanese authorities have been given ample assurance that the wood oil in question is American property. In this connection see paragraph 4 of enclosure to your despatch number 2937 to the Department of May 16<sup>15</sup> entitled ‘Japanese interference with shipment of the Werner G. Smith Company on the Yangtze River.’

2. Department suggests that you say to the Foreign Office that your Government feels that it has been extremely patient in regard to this matter over a long period of time during which the American property under reference has been held by the Japanese forces on the Yangtze; that we find no warrant for any suspicion or contention that there is any proprietary interest other than American in the wood oil shipment under reference; that when this shipment left Hankow in October last it consisted of 280 tons; that this amount has now apparently dwindled to some 123 tons (as indicated in the memorandum addressed by you to the Japanese Ministry for Foreign Affairs on May 6, 1938<sup>15</sup>); that, so far as commercial traffic on the Yangtze is concerned, we have knowledge that Japanese vessels pass freely up and down the Yangtze between Shanghai and Nanking and have accepted freight; that we

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<sup>14</sup> See last paragraph of telegram No. 956, July 7, 9 a. m., from the Consul General at Shanghai, p. 394.

<sup>15</sup> Not printed.

are unable to reconcile the continued detention of this American property with the assurances given you by the Foreign Minister and his predecessor that respect will be shown for the rights and property of American nationals; and, that, while no publicity in America in connection with this case has thus far come to the attention of the Department, further delay in unconditional release of the remaining portion of the shipment will almost inevitably result, through complaint of the Company concerned or otherwise, in inquiry on the part of the press, in response to which the Department would be compelled to admit that there is in this case flagrant violation of American rights."

Repeat to Hankow.

HULL

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393.115/383 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, July 9, 1938—6 p. m.

[Received July 9—4:45 p. m.]

132. Shanghai's 893, June 24, 10 a. m. L. J. Mead of Standard Vacuum Oil Company, and T. F. Shields of Texas Company, both American citizens, arrived in Nanking together this afternoon on the U. S. S. *Oahu*. These are the first American businessmen who have returned to Nanking since its occupation by the Japanese.

Repeated to Hankow, Peiping and Shanghai. Peiping please repeat to Tokyo.

ALLISON

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793.94/13420 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, July 11, 1938—11 a. m.

[Received July 11—7 a. m.]

977. My 969, July 9, 2 p. m.<sup>17</sup> I have received this morning from Morito Morishima, Counselor of the Japanese Embassy, the following letter dated July 10:

"I have the honor to inform you that I have been requested by our military authorities to communicate the following to the representatives of the foreign powers in China.

On June 20 the Imperial Japanese Government having in view the respect for and protection of the lives and property of third powers nationals made a certain communication to the third powers concerned

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<sup>17</sup> *Ante*, p. 154.

and advised among others that nationals of third powers would evacuate from areas of actual fighting to safer places.

As various information points to the conclusion that the Chinese Army intent upon the defense of Hankow is at present concentrating great numbers of troops and piling up large quantities of munitions in certain strategic areas, the Japanese military forces will be compelled if strategically required to carry out most intensive bombing upon Chinese troops and their military establishments in these areas especially in the following places: Sinyang and its vicinity; Hankow and its vicinity; Kiukiang and its vicinity; Nanchang and its vicinity; Ikiawan (near Chuchow) and its vicinity; Changsha and its vicinity; Yochow and its vicinity.

In view of the prospect that actual fighting will most probably take place in the above-mentioned areas it is earnestly hoped that nationals of third powers give their best consideration to it that they will evacuate from these areas and in case this is not possible will keep themselves away from Chinese troops and their military establishments."

Repeated to Hankow, Peiping and Tokyo. Copy handed American senior naval officer present.

LOCKHART

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393.1115/3374: Telegram

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

HANKOW, July 11, 1938—4 p. m.

[Received July 11—2:05 p. m.]

347. Reuter reports today from Shanghai a statement by Japanese spokesman that Japanese consular authorities have addressed note to Consuls of third powers requesting evacuation of nationals from Hankow, Kiukiang, Kuling, Nanchang, Changsha and Yochow. Japanese military authorities have from time to time been informed of presence of American citizens at Kiukiang, Hankow, Kuling and other places. It is at present time physically impossible for removal of American citizens from Kuling even if they wished to leave and Japanese must know this. There are no Chinese military concentrations at Kuling. Foreign population at Hankow could not be evacuated entirely. Japanese must know this. Japanese military have been informed of presence here of Americans, of the places where they will be and it is not necessary that their lives be endangered as they threaten. I hope that such reply may be made as will definitely inform Japanese military that such American nationals as now remain in these places cannot leave and that we expect the Japanese to do everything possible for their safety.

Repeated to Shanghai. Shanghai please relay to Tokyo.

JOHNSON

394.1153 Smith Company, Werner G./22 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, July 11, 1938—5 p. m.  
[Received July 11—9:35 a. m.]

454. Department's 236, July 9, 5 p. m., wood oil case.

1. We left at the Foreign Office today an *aide-mémoire* closely following the telegram under reference.

2. Yoshizawa's extempore comment was that, notwithstanding reference by the Japanese Consul General in his note to Lockhart to the question of the ownership (see Shanghai's 926, June 29, 4 p. m.), it seemed to him that the offer of the Japanese naval authorities to transfer the oil to the custody of the American authorities at Nanking makes that question no longer a live issue.

3. With reference to the statement that Japanese vessels pass freely between Shanghai and Nanking and have accepted freight, his comment was that such freight was probably sutlery and other goods for sale to Japanese troops and to Japanese residents and not ordinary commercial cargo. We feel that it would be wise tactically to drive home, before the Foreign Office replies, the fact that Japanese vessels are carrying commercial freight on the Yangtze, and we hope that Shanghai and Nanking will send us precise data. We would, of course, be careful in using this material not to prejudice the basic principles involved in this issue.

Repeated to Shanghai for Hankow and Nanking.

GREW

394.1153 Smith Company, Werner G./23 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, July 11, 1938—10 p. m.  
[Received July 11—2:14 p. m.]

980. Department's 236, July 9, 5 p. m. to Tokyo. In a conversation Saturday with Morishima, Counselor of Japanese Embassy, I pointed out to him the urgent necessity of the Japanese naval authorities releasing the wood oil, with permission for its shipment to Shanghai. It was suggested that facilities for shipment be accorded on one of the Japanese freight vessels now plying the Yangtze. Morishima was reminded of the fact that this Consulate some weeks ago, as well as the Embassy at Nanking, had assured the naval authorities that the wood oil was American owned. I said that it seemed to me that an assurance of this kind from the Consulate General and from the Embassy should be sufficient to identify the American ownership of

the property. Morishima has just been informed that the sole purpose of seeking the release of the wood oil is to enable the company to put it on the market; that the oil is used only for the making of paints and varnishes; that it is deteriorating in quality and value and that its release without some facilities for its movement to the Shanghai market is of no material value to the owners of the property.

Repeated to Hankow and Tokyo.

LOCKHART

494.11/83

*The Ambassador in Japan (Grew) to the Secretary of State*

No. 3068

TOKYO, July 11, 1938.

[Received July 29.]

SIR: On June 25 the Foreign Office spokesman issued an "informal statement for the information of newspaper correspondents" to the effect that nationals of Third Powers residing in either one of two countries which are in conflict have in principal a status, as stipulated by the international rules and regulations governing belligerency, like that of any other private individuals of the country in which they reside. To uphold his contention the Foreign Office spokesman cited two precedents in international law, the first being the refusal of the United States Government to accede to the demand of the French Government that compensation be paid for losses sustained by French nationals as a result of the bombardment by the American Navy on July 13, 1854, of Greytown (now San Juan del Norte) in Nicaragua.<sup>18</sup> The second precedent cited, prior in point of time, was the bombardment of Copenhagen, without a declaration of war, by the British Fleet in 1807. As will be noted from the enclosed clipping<sup>19</sup> from the *Japan Advertiser* of June 25, 1938, which gives Domei's version of the statement, the spokesman remarked that the American note refusing the demand of the French Government after the bombardment of Greytown, had cited the case of the British attack on Copenhagen, when no claim was made by any third Powers to the British Government for compensation for losses sustained by their nationals who were residing in Copenhagen at the time.

Therefore, it would appear by inference that the Foreign Office spokesman holds the view that nationals of third Powers who have owned property in China during the present hostilities are not entitled to claim compensation from Japan for losses resulting from these hostilities. The Foreign Office spokesman would appear to base his

<sup>18</sup> See John Bassett Moore, *A Digest of International Law* (Washington, Government Printing Office, 1906), vol. vi, pp. 926 ff.

<sup>19</sup> Not reprinted.



argument on the American Government's contention of 1854 that nationals of third Powers residing in a country which has "no ability to protect" their property are not entitled to make a demand to another country for compensation for the loss of such property and that the country in which such foreigners are residing is responsible for whatever losses result from such lack of protection.

It will be recalled that in its note dated August 2, 1933,<sup>20</sup> the Japanese Government maintained the view that it was under no obligation whatever to pay any indemnity for the damages sustained by nationals of third countries in Shanghai or elsewhere as a result of the military operations conducted by Japanese forces against the Chinese in Manchuria and Shanghai subsequent to September 18, 1931.\* The Japanese Government at that time based its contention on the argument that the Japanese military operations in Manchuria and at Shanghai were nothing more nor less than "self-defensive measures taken against the acts of provocation on the part of the Chinese" and that these "self-defensive" measures constituted, and were carried out as, an integral part of the common measures of defense concerted by the Powers interested.

While at the beginning of the present hostilities both in north China and at Shanghai the Japanese authorities asserted that their military and naval forces were acting in self-defense, this point of view has necessarily been relinquished as the conflict has progressed and as the Japanese Government has clarified its aims toward China. It is therefore hardly likely that the Japanese will advance the plea of "self-defense" should they refuse to pay compensation to foreigners residing in China for losses suffered during the present hostilities.

Respectfully yours,

JOSEPH C. GREW

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393.1115/3383 : Telegram

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

HANKOW, July 12, 1938—3 p. m.

[Received July 12—2:05 p. m.]

350. Department's 439 [433], July 9, 3 p. m. to Shanghai. *Monocacy* literally complied with Commander-in-Chief's 0013 [0012]—1335<sup>21</sup> when at 3 p. m. on July 10th it withdrew 3 miles up river from Kiukiang taking with it foreign personnel of Standard Oil Company and Standard Oil ship, only Americans desiring to evacuate Kiukiang. *Monocacy* is and will remain anchored in an open stretch of Yangtze, probably safest place on river between Kiukiang

<sup>20</sup> Not printed.

\* Embassy's despatches Nos. 439, June 20, and 489, August 8, 1933. [Footnote in the original; despatches not printed.]

<sup>21</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 600.

and Yochow at the present moment. She is well beyond area where fighting might be expected. Kiukiang is in [process of] being abandoned by Chinese who are destroying part of the city before they leave. Department will have by this time received Shanghai's 977 of July 11, 11 a. m. which gives text of last warning received from the Japanese referred to in my 347, July 11, 4 p. m. Department will note Japanese desire that American citizens be withdrawn from Hankow, Yochow and Changsha among other places named. Department will observe that literally there is no place on the river below Yochow to which *Monocacy* or any other ship could be moved that would be safe. *Monocacy* is safer where she now is than she would be any place else and in any case could not now proceed further up river because the Chinese military have laid mines in river between here and Kiukiang which now makes the river dangerous. For months we have been approaching and preparing for the situation which now faces us. Our gunboats are not interlopers in this area. We have known all along that sooner or later they must pass through these hostilities. Japanese can if they wish conduct hostilities in such a way as not to endanger gunboats which have not and are not seeking positions of danger. Every effort is being made to mark them, to notify the Japanese of their position. We here including the officers in command of the gunboats are all completely in accord with the Department's policy of standing aloof from local hostilities and away from danger. But it must be recognized that sooner or later hostilities are certain to catch up with and pass us. Therefore the only possible course that we can follow is to keep Japanese completely and currently informed of our whereabouts trusting to their desire to do us no harm. Japanese desires to let us alone will be fortified by our insistence upon our rights as non-combatants in a situation which has not been of our choosing. I hope that Department understands that it is not possible to move gunboats or citizens out of Hankow to a safer place. I hope that upon examination [*sic*] that placed as we are every one will loyally make every effort to remain as far from scene of actual fighting as may be humanly possible.

JOHNSON

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394.1153 Smith Company, Werner G./25 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, July 12, 1938—3 p. m.

[Received July 12—2:27 p. m.]

134. Tokyo's 454, July 11, 5 p. m., wood oil case.

1. With regard to paragraph 2 of Tokyo's telegram under reference, it should be pointed out to the Japanese Foreign Office that,

while the Japanese authorities in Shanghai have stated they were willing to transfer the oil to the custody of the American authorities at Nanking, the Japanese authorities here, as reported in my No. 127, June 27, 4 p. m.,<sup>22</sup> have refused to take any action in the matter pending receipt of further instructions from Shanghai.

2. It is difficult to furnish the precise data requested by Tokyo's third paragraph, as in order to do so it would be necessary to maintain a continuous watch over goods from the time they are landed until they are delivered to the various shops. However, members of the staff of this office have on numerous occasions seen Asahi and Kirin Beer, "Anchor Brand" gasoline, tinned goods and other commodities unloaded from ships along the Bund, and the same brands of goods have later been seen to be available for purchase by Chinese and foreigners at Japanese stores within the city. Some time ago I was personally informed by the manager of a Japanese provision shop, from whom I had purchased some tinned goods, that his stock was brought from Shanghai on Japanese vessels. It might also be mentioned in this connection that I have been informed by a British naval officer that Jardine Matheson and Company has recently been permitted by the Japanese to send a tug to Nanking for the purpose of towing to Shanghai one of their lighters which had been left here. Since this could be done it is difficult to see why Jardine's could not send a tug up to tow the wood oil to Shanghai as was originally suggested by the Werner G. Smith Company.

Repeated to Hankow and Shanghai. Shanghai please repeat to Tokyo.

ALLISON

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394.1123 Massie, T. H. Mrs./18 : Telegram

*The Secretary of State to the First Secretary of Embassy in China (Salisbury), at Peiping*

WASHINGTON, July 12, 1938—6 p. m.

Following for Tokyo as No. 238, July 12, 6 p. m.:

"Tsingtao's July 9, 9 a. m., Massie incident. The Department feels that no useful purpose would be served by further representations in regard to this case. You may in your discretion avail yourself of a convenient opportunity to mention to the Japanese Foreign Office the conversation between the Japanese Chief of Staff and our Chief of Staff and express satisfaction with regard to the statement of the Japanese Chief of Staff to the effect that the Japanese Navy is anxious to prevent incidents of this character and has issued strict instructions in that connection."

Please repeat to Hankow and Tsingtao.

HULL

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<sup>22</sup> Not printed.

394.1123 Scovel, Frederick G./33 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, July 13, 1938—5 p. m.

[Received July 13—7 a. m.]

441. Department's 183, July 9, 4 p. m.,<sup>23</sup> Scovel case. Japanese Embassy states it will soon give information in regard to punishment of the soldier in question. I expressed today to a Secretary of that Embassy the hope that the Japanese military authorities had taken appropriate and adequate steps to prevent assaults on American citizens.

SALISBURY

393.1115/3412 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, July 18, 1938—6 p. m.

[Received July 18—1: 15 p. m.]

1003. My 981, July 12, 4 p. m.<sup>23</sup> I have received this afternoon a letter from the Japanese Consul General in which the following statement is made with regard to the protection of American nationals at Kiukiang, Kuling and Nanchang:

“I have the honour to transmit to you herewith the advice given by our military authorities concerning the matter, which goes as follows:

With regard to the respect for and protection of the lives and property of third power nationals in the areas of actual fighting, and aerial bombardments in certain areas, the Japanese authorities concerned made communication to the third powers concerned on June 20, and July 10, respectively.

It is highly appreciated that the American authorities have shown an attitude of cooperation in the matter and it is hoped that that attitude will be continued in order to preclude any unpleasant mishaps which might otherwise happen unexpectedly.

As the most intensive military operations will most probably take place in such places at Kiukiang, Kuling and Nanchang, third power nationals staying in these places might not be entirely free from being exposed to extreme danger despite every possible precaution which shall be taken by the Japanese forces. Accordingly, it is requested once again that the American nationals in and around Kiukiang and Kuling take shelter in American warships near-by and those in and around Nanchang evacuate to some safer places.

Everything which is vested with enemy character can not evade being attacked by the Japanese forces. Especially, in view of the fact that Chinese forces tend to approach or make use of properties be-

<sup>23</sup> Not printed.

longing to third powers for the purpose of entangling third powers, it is hoped that special consideration will be paid to prevent such actions by the Chinese.

In case of American authorities desire to bring American nationals into the area under the control of Japanese Army in an appropriate way—for example by carrying in warships—our military authorities will not fail to afford adequate protection for them.”

Sent to Hankow, repeated to Department and Tokyo.

LOCKHART

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393.1115/3416 : Telegram

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

HANKOW, July 19, 1938—11 a. m.

[Received July 19—7:30 a. m.]

361. Shanghai's 1003, July 18, 6 p. m. regarding protection American nationals at Kiukiang, Kuling and Nanchang. I have nothing to add to what I have already said in my 347, July 11, 4 p. m., unless the Department has specific instructions for me.

Repeated to Shanghai. Shanghai please relay to Tokyo.

JOHNSON

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893.52/460 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, July 19, 1938—11 a. m.

[Received 12:05 p. m.]

1005. This Consulate General's despatch of January 14, 1938<sup>25</sup> re Bureau of Land Administration.

1. The situation with reference to the records of the Bureau of Land Administration remains unchanged except the Japanese are becoming more insistent that the land records be turned over to the Japanese military. In this the interested Consuls are not inclined to acquiesce, on the ground that (1) the Japanese have no special claim on the land records and (2) the Shanghai Municipal Council took custody of the land records without the consent of the Consular Body or the Consuls specially interested. The Japanese by way of a compromise recently proposed that the Municipal Council make some arrangement by which the records should be opened for daily inspection by the public with a Japanese employee of the Municipal Council present, but this has not seemed to offer a satisfactory solution of the problem

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<sup>25</sup> Not printed.

although it is better than turning the records over to the exclusive control of the Japanese.

2. The recordation of land transfers has been in progress since the beginning of hostilities but there is still no strong pressure from the general public or property owners for the restoration of normal land office facilities. However, the issue may reach a more acute stage vis-à-vis the Japanese soon. It would seem that the only solution which would be fair to all nationalities concerned (and I am very doubtful whether either the Japanese or the Central Government would agree) would be [to consent to the] creation as a temporary expedient only of a special land bureau possibly with codirectors to be selected by the Consular Body as representatives, respectively, of the Settlement areas and the Chinese area, with nationals of the several most interested governments being included among the employees of the bureau. The question will doubtless shortly resolve itself into whether the land archives shall be turned over to a Japanese sponsored Chinese land office, presumably created by the Reformed Government, or whether the interested Consuls shall attempt to retain some control over the administration of the land office as suggested above, or by some other more practicable means, in view of the peculiar situation that now obtains here, and certainly the present position regarding the land archives cannot be maintained permanently.

3. The Department's comments, or preferably its instructions, are respectfully requested. Any suggestions looking to a possible solution of the problem would be appreciated.

Repeated to Hankow, code by mail to Peiping and Tokyo.

LOCKHART

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393.1115/3418: Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, July 19, 1938—3 p. m.

[Received July 19—12:10 p. m.]

Shanghai's 1003, July 18, 6 p. m. I talked by telephone this morning [afternoon] with Allgood of Kuling American school at Kuling and informed him of substance of Shanghai's July 18, 6 p. m. He states that Americans in Kuling do not intend to leave and in fact most of them cannot do so; that all is quiet at Kuling at present; that there are large numbers of Chinese refugees, particularly women, at Kuling.

Repeated to Shanghai. Shanghai please repeat to Tokyo.

JOSSLYN

393.1115/3419 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, July 20, 1938—noon.

[Received July 20—8 a. m.]

1013. My 1003, July 18, 6 p. m., quoting letter from Japanese Consul General dated July 18.

1. The following letter dated July 19 has been received this morning from the Japanese Consul General.

“With reference to my letter No. 7, of July 18, I have the honor to add a few words which I trust will serve to elucidate the contents of that letter and avoid any misunderstanding that may arise in the future.

It is stated in the last paragraph of my letter above referred to, that ‘in case the American authorities desire to bring American nationals into the area under the control of the Japanese Army in an appropriate way—for example by carrying in warships—our military authorities will not fail to afford adequate protection for them.’ This, however, does not in any way modify the terms regarding the movement of foreign men of war and vessels, as stated in (1), (2) and (3) of the memorandum attached to the letter No. 7 of [*sic*] or Morishima’s letter] of July 8, addressed to your Ambassador.

The statement quoted above is not to be understood as to allow American men of war or vessels [to] move down to Nanking or Shanghai when they come, with American refugees on board, into the area under Japanese control.”

2. For Morishima’s letter, which was transmitted through the Japanese Consul General, please see my 969, July 9, 2 p. m.<sup>26</sup>

Sent to Hankow. Repeated to Tokyo and Tsingtao for Commander-in-Chief.

LOCKHART

394.1153 Smith Company, Werner G./31 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, July 20, 1938—4 p. m.

[Received 8:20 p. m.]

1016. Second paragraph of my No. 926, June 29, 4 p. m., and my 985 [980?], July 11, 4 [10?] p. m., and paragraph 1 of Nanking’s 134, July 12, 3 p. m.

1. I had another conference with the Japanese Consul General yesterday concerning the wood oil case. The history of the case was reviewed and the net result may be summed up by a suggestion from

<sup>26</sup> *Ante*, p. 154.

Hidaka that the Japanese naval authorities would probably (he declined to make a definite commitment) be willing to consent to the release of the wood oil if the owners would agree to store it in a godown at Nanking, preferably Ho Gee's [International Export Company's]. I told Hidaka that this would entail additional hardships and financial losses to the owners of the property because of storage charges and lack of access to the market and that our chief concern remained as heretofore, which was the release of the wood oil with permission or facilities for its transportation to Shanghai so that it could be put on the market. I asked Hidaka frankly to inform me whether he thought the Japanese naval authorities at any time had suspected Chinese ownership or interest in the wood oil and he answered that no such suspicions had existed. Throughout the conversation I emphasized the strictly commercial character of the commodity, its American ownership and the unwarranted interference with a normal trade transaction of an American firm. I was unable to exact from Hidaka any clear statement of the exact reasons for the prolonged detention of the wood oil by the Japanese naval authorities and their refusal for its transport down the river. In the end, and at Hidaka's request, I agreed to submit to the Department again the offer of the Japanese to release the wood oil, this time with the possibility that, instead of permitting it to lie afloat in junks in the harbor at Nanking near an American naval vessel, the oil could be stored in a godown there. I told Hidaka that if this offer should be accepted he could well expect me to press him after delivery and storage of the cargo, for permission, or facilities, for the transport of the oil down the river to Shanghai. If the Japanese are willing to release the oil with a permit for its storage ashore, I am disposed to believe that the offer should be accepted inasmuch as there is less likelihood of the oil deteriorating or being stolen while in storage in a godown than in its present location in junks some miles up the river from Nanking.

Repeated to Hankow, Nanking and Tokyo.

LOCKHART

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493.11/2161 : Telegram

*The Secretary of State to the Consul General at Tientsin (Caldwell)*

WASHINGTON, July 21, 1938—2 p. m.

76. Your 128, July 18, 3 p. m.<sup>27</sup> If as stated in the enclosure to your mail despatch No. 259 of March 25,<sup>27</sup> Texas Company's losses at Tehchow were the result of looting "after Japanese occupied town", the mere fact that as reported in your despatch No. 293 of June 1<sup>27</sup>

<sup>27</sup> Not printed.



such looting was done by bandits of Chinese nationality would not necessarily relieve Japanese Government of liability for those losses under the principles of responsibility set out in Department's 98 March 8, 6 p. m. to Hankow. It is suggested therefore that that [those] losses be reported to your Japanese colleague as having been due to looting subsequent to Japanese occupation of the town.

HULL

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394.1153 Smith Company, Werner G./34 : Telegram

*The Secretary of State to the Consul General at Hankow (Josselyn)*

WASHINGTON, July 21, 1938—3 p. m.

Shanghai's 1016, July 20, 4 p. m., and Nanking's 136, July 21, 3 p. m.,<sup>28</sup> wood oil. Having in mind the possible difficulties in obtaining warehouse facilities and effecting storage mentioned in Nanking's telegram under reference, please ascertain from Werner G. Smith Company and inform the Department, Nanking, and Tokyo whether the Company desires the release of the wood oil upon the terms of Shanghai's telegram under reference or whether the Company desires the American authorities to continue their efforts to obtain the unconditional release of the cargo. As suggested in the Shanghai Consulate General's telegram, the American authorities would, in the event of storage of the cargo, under the conditions stipulated, continue their efforts to free the cargo for shipment to Shanghai.

Repeat to Shanghai, Nanking and Tokyo.

HULL

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394.1123 Thomson, J. C./29 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, July 21, 1938—9 p. m.

[Received July 22—9:25 a. m.]

481. Department's 249, July 18, 7 p. m.,<sup>29</sup> Thomson incident. In my interview today with the Minister for Foreign Affairs emphatic oral representations were made, supported by an *aide-mémoire*, the text of which is given below.

I explained the details of the case fully to the Minister, telling him of the condition in which Dr. Thomson arrived at our Embassy immediately after the incident as described by Allison and expressing my personal view that some of the evidence presented could only be regarded as unprejudiced. There was no doubt whatsoever in our minds that the incident had occurred precisely as stated.

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<sup>28</sup> Latter not printed.

<sup>29</sup> Not printed.

General Ugaki stated with equal emphasis that this and other similar incidents did not reflect the attitude of the Japanese soldiery towards foreigners and, he added, especially not towards Americans. These incidents must be ascribed to the abnormal psychology of Japanese soldiers who are away from home in sometimes very difficult circumstances. He himself had been a soldier in the Russo-Japanese war and was thoroughly familiar with the psychological strain of such situations. I said that I recognized that such a strain exists but that this could not excuse such assaults on American citizens and I felt it to be of the utmost importance that word should be passed all the way down the line from the highest officers to the lowest soldiers that such incidents must not take place. I added that our Government is under great public pressure with regard to the Thomson and similar incidents and that the Department will probably have to make public its position and record in regard to this case. The Minister said that he would give most careful consideration to my statement and added that "more attention must be given to this subject".

Text of our *aide-mémoire* follows:

#### AIDE-MÉMOIRE

The American Embassy refers to its *aide-mémoire* dated June 20, 1938,<sup>30</sup> and, acting under instructions from its Government, has the honor to state that a month has elapsed since the American Government was informed that Dr. J. C. Thomson, an American citizen, was slapped by a Japanese sentry at Nanking on June 15. Endeavors to arrange a local settlement of the incident at Nanking having proved ineffectual, this matter was brought to the attention of the Japanese Government on June 20 with a view to arranging a satisfactory settlement in accord with the facts and circumstances of the case.

On the basis of information submitted to the American Government, no doubt is entertained by the American Government that the incident, as described by Dr. Thomson and as supported by evidence, occurred and the American Government has therefore requested that the guilty soldier be punished, that an expression of regret be tendered, and that measures be taken to prevent the recurrence of such unfortunate and uncalled for incidents. In every particular, the Japanese authorities have, on the basis of evidence which the American Government finds unacceptable, rejected Dr. Thomson's version of the incident. The conclusion suggested by the statements made by the Japanese authorities is that Dr. Thomson, without cause, chose wilfully to bring false charges against a Japanese sentry. In the light not only of the circumstances and all evidence but of the known character of Dr. Thomson this seems to the American Government altogether improbable.

As a result of the consideration by the American Government of Thomson incident and other incidents of a similar character, the American Government has reluctantly formed the opinion

<sup>30</sup> Not printed, but see telegram No. 392, June 20, 5 p. m., from the Ambassador in Japan, p. 365.

that these incidents cannot be regarded as unrelated phenomena. They appear to represent an attitude of mind and state of feeling which cannot be but a cause of grave concern. The American Government has on a prior occasion expressed the view that the causes and circumstances which give rise to incidents of the character under consideration might readily have been prevented if the Japanese authorities were to impress upon the Japanese soldiery the importance and propriety of maintaining at all times an attitude of civility toward American nationals and noncombatants in general. The American Government now wishes to reaffirm that view.

Animated by a desire to avoid exacerbation of feeling between Japanese and Americans, the American Government has sought a settlement of Thomson incident not only with a view to bringing to a satisfactory close that unfortunate incident but also in the belief that prompt and equitable settlement of the incident along the lines requested would contribute materially toward the prevention of similar incidents with their inevitably unfortunate effect upon American feeling.

The foregoing views are brought to the attention of the Japanese authorities in the hope that, in giving them consideration, they will be motivated by a seriousness of purpose commensurate with that which prompts the American Government to state them. Tokyo, July 21, 1938.

Shanghai please repeat to Hankow and Nanking.

GREW

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393.1115/3440: Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, July 22, 1938—4 p. m.

[Received 8:20 p. m.]

1026. I have received this afternoon a letter dated July 21 addressed to the Ambassador by Masayuki Tani, Japanese Minister at Large, reading as follows:

"I have the honor to draw Your Excellency's attention to the fact that the Chinese have been transporting munitions of war from Canton to Hankow by increasing numbers of freight cars connected to passenger trains carrying nationals of third powers. While the Japanese forces feel constricted [*constrained?*] to stop by aerial bombing or some other means such transportation of Chinese war supplies, the Japanese Government are ardently desirous of avoiding incidental losses and damages being caused to third powers' nationals. Therefore, I am instructed to request Your Excellency to see your way to make necessary representations at the Hankow Government so that they will completely refrain from connecting freight cars to passenger trains.

It is further hoped that third power nationals desirous of travelling by train in either direction between Canton and Hankow will make a trip in groups, as far as possible, in a special train not connected with freight cars, and that notice will be given sufficient time in advance to

the Japanese authorities concerned as to such particulars as the time of departure of the train.

As these requests are necessitated on the one hand by the unscrupulous use by Chinese of passenger trains for conveying war supplies and on the other hand emanate from the earnest wishes of the Japanese Government to assure the safety of third power nationals, I earnestly hope that Your Excellency will give favorable consideration to them."

Sent to Hankow. Repeated to Tokyo. Repeated to Chefoo for Commander in Chief.

LOCKHART

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394.1123 Scovel, Frederick G./35 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, July 23, 1938—1 p. m.  
[Received July 23—10:35 a. m.]

463. Embassy's 441, July 13, 5 p. m.

1. A Secretary of the Japanese Embassy called this morning and stated that a report had been received from the Chief of Staff of the North China forces that Dr. Scovel's assailant had been sentenced July 13 by court martial to 3 years imprisonment for inflicting bodily injuries and for committing unlawful entry; that the assailant arrived July 21 at Peiping and is now serving his sentence in the military prison in Peiping.

2. The same Secretary recently stated that the Japanese Embassy had been informed by the military that measures had been taken to prevent a recurrence of incidents similar to the Scovel case.

Repeated to Embassy, Hankow, Tokyo and Consulate [at] Tsingtao.

SALISBURY

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393.1115/3443 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, July 23, 1938—9 p. m.  
[Received July 23—1:40 p. m.]

1031. My 1026, July 22, 4 p. m. I have received tonight a letter from Minister Tani enclosing a memorandum reading as follows:

"1. Should the Chinese still transport munitions of war by means of connecting freight cars to passenger trains carrying nationals of third powers, in spite of the Japanese warning against such practice and the request of the third powers for their representations at the Hankow Government, the Japanese forces would be forced to bomb such freight cars. The Chinese should be held responsible for any consequences that might follow with regard to the safety of third power nationals.

2. It is requested that the journey of third power nationals by special train between Canton and Hankow, which will be arranged among interested powers concerned and notified in advance to the Japanese authorities, be organized to take place once approximately every 10 or 14 days. In such case it is needless to say that the Japanese forces are prepared to take every possible means to assure the safety of the said train."

Sent to Hankow, repeated to Tokyo and to Chefoo for Commander-in-Chief.

LOCKHART

893.52/460 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, July 24, 1938—1 p. m.

459. Your 1005, July 19, 11 a. m., records of Bureau of Land Administration.

1. Your paragraph 3. Although the Department does not feel that it is in position to initiate suggestions for a solution of the problem, it believes that the following considerations should be borne in mind:

(a) the land records in question (at least in so far as they relate to land situated in the International Settlement) are of vital concern to the Shanghai Municipal Council;

(b) before the legitimate Chinese authorities were driven out of Shanghai, the Shanghai Municipal Council had no control over the records of the Bureau of Land Administration;

(c) the surrender of the records by the Bureau of Land Administration to the Shanghai Municipal Council was occasioned by the inability of the legitimate Chinese authorities to continue their functions; and

(d) in retaining control of the records the Shanghai Municipal Council is undertaking to exercise authority and responsibility which it did not possess prior to the departure of the legitimate Chinese authorities from the Shanghai area.

2. Bearing the foregoing considerations in mind, the Department feels that it is desirable and defensible in present circumstances for the Municipal Council, supported if necessary by the Consular Body, to make every practicable effort to avoid, through the devising of feasible and acceptable measures for dealing with the matter, the turning over of the records to the Japanese or to an agency sponsored by them.

3. Please continue to keep the Department informed of developments in the matter.

Repeat by naval radio to Hankow and by mail to Peiping and Tokyo.

HULL

393.1164 University of Shanghai/51 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, July 24, 1938—2 p. m.

Following for Tokyo as Department's 255, July 24, 2 p. m. :

Reference Shanghai's 1012, July 19, 6 p. m.,<sup>31</sup> in regard to University of Shanghai. In the light of the situation outlined in the telegram under reference and in previous communications, the Department feels that representations of an emphatic character should again be made to the Japanese Foreign Office in regard to this matter. In your approach to the Foreign Office it is suggested that you may care to point out, *inter alia*, that evacuation of the property by Japanese troops without returning the property to the control of the missions concerned does not in any way lessen the responsibility which attaches to the Japanese Government for damages to the property and for losses suffered by the missions by reason of Japanese occupation and control; that the continued failure of the Japanese authorities to return the property to the complete control of the missions' representatives is undeniably open to the interpretation that the Japanese authorities intend to render the property useless to its owners and to force its sale, particularly in view of the fact that the seat of hostilities has long since been far removed from Shanghai and of the fact that the Japanese military have evacuated the property; that this arbitrary interference with American rights and interests is obviously inconsistent with repeated assurances of the Japanese Government to the effect that American rights and interests shall be respected; and that accordingly this Government asks that appropriate steps be taken without further delay to effect the prompt return of the property in question to the full control of its owners.

As the Department may subsequently consider it advisable to give publicity to the matter, please telegraph the Department the substance of your representations to the Foreign Office together with the text of any written communication you may leave with that office.<sup>32</sup>

HULL

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393.1115/3444 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, July 25, 1938—3 p. m.

[Received July 25—7:10 a. m.]

Have received a telegram from Allgood, American school, Kuling as follows :

"Officially informed Kuling may be used for military purposes. Chinese military authorities request foreign evacuation. Please advise."

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<sup>31</sup> Not printed.

<sup>32</sup> For Ambassador Grew's representations, see memoranda of July 30, *Foreign Relations, Japan, 1931-1941*, vol. 1, pp. 778 and 779.

I have replied as follows:

"Your telegram received. You and others must be guided by local situation and conditions regarding evacuation. If Americans elect to remain, suggest you collect in one spot and notify me your whereabouts and I will inform Chinese and Japanese".

Reports received today from U. S. S. *Monocacy* indicate the evacuation from Kuling at this time would be very hazardous. The Ambassador has today sent a letter to Chiang Kai Shek referring to above-mentioned telegram from Kuling regarding foreign evacuation and expressing the hope that the report is not correct; that at present when fighting is being carried out all around the base of the mountain upon which Kuling is situated, evacuation would be an exceedingly serious undertaking. The Ambassador expressed the hope that instructions will be issued which will make it unnecessary for the Americans on Kuling to travel along roads and paths now under fire.

Repeated to Peiping, Shanghai. Shanghai please repeat to Tokyo.

JOSELYN

394.1153 Smith Company, Werner G./35 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, July 25, 1938—4 p. m.  
[Received July 25—12:43 p. m.]

Department's July 23, 3 p. m.,<sup>33</sup> Werner G. Smith Company state that, owing to probability losses through leakage in case oil transferred to godown, company desires that American authorities continue efforts to obtain unconditional release of wood oil.

Repeated to Shanghai, Nanking. Shanghai please repeat to Tokyo. Copy to the Embassy, Hankow.

JOSELYN

793.94/13550 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, July 25, 1938—4 p. m.  
[Received July 25—1:02 p. m.]

Shanghai and Tokyo please inform Japanese authorities [that] committee of 4 missions including 2 American missions proposes establishment safety zone Ichang, Hupeh, at Catholic Convent 2 kilometers southeast of city on prominent hill. Convent marked with French, Belgian and Red Cross flags. Maps follow. Local British, French, Belgian Consuls also received notification from committee.

Sent to Shanghai. Shanghai please repeat to Tokyo.

JOSELYN

<sup>33</sup> Not printed.

493.11/2155 : Telegram

*The Secretary of State to the Consul at T'singtao (Sokobin)*

WASHINGTON, July 25, 1938—6 p. m.

Reference your mail despatch No. 219 May 25<sup>34</sup> regarding Texas Company losses.

1st. Information contained in enclosures 1 and 2 indicates possibility that losses referred to therein may have been caused under circumstances involving Japanese responsibility on either or both of following grounds:

(a) Looting by Japanese troops; or  
 (b) Looting by others in area apparently occupied by Japanese forces (see Department's 98, March 8, 6 p. m. to the Ambassador at Hankow). It is therefore suggested that those losses be reported to your Japanese colleague for investigation and report with the statement that looting is alleged to have been done by soldiers and others in areas apparently occupied by Japanese military forces. Do not include any statement regarding the nationality of the soldiers who did the looting.

2d. It is suggested that you also report losses referred to in enclosure 3 as having occurred in area apparently occupied by Japanese forces.

3d. Losses referred to in enclosures 4 and 5 should also be reported without indicating nationality of looting or seizing forces.

HULL

393.1115/3445 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, July 26, 1938—3 p. m.

[Received July 26—7:30 a. m.]

Embassy Hankow 347, July 11, 4 p. m. Please inform Japanese authorities that there are now about 56 American men, women and children on Kuling and that they cannot leave; that according to a telegram received this morning from Kuling the Americans together with other foreigners on Kuling were expecting to concentrate at 5 points, namely, Barries Hospital, China Inland Mission, Fairy Glen Hotel, American School, and Community Hospital. I have not yet, however, received word that this concentration has actually been carried out. Please request that Japanese military accord every protection possible to them.

Sent to Shanghai. Shanghai please repeat to Tokyo.

JOSSLYN

<sup>34</sup> Not printed.



393.1115/3448 : Telegram

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

HANKOW, July 26, 1938—3 p. m.

[Received July 26—1 : 38 p. m.]

373. Reference Shanghai's 1026, July 22, 4 p. m., and 1031, July 23, 9 p. m., protection of foreigners on Canton-Hankow Railway. In informally transmitting copies of the above mentioned messages to the Chinese Minister for Foreign Affairs today I stated that "I feel confident that the Chinese Government will do all within its power to ensure the safety of American nationals travelling between Canton and Hankow, and vice versa".

Sent to Shanghai.

JOHNSON

393.1115/3440 : Telegram

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

WASHINGTON, July 26, 1938—3 p. m.

216. Shanghai's 1026, July 22, 4 p. m., and 1031, July 23, 9 p. m., in regard to trains between Hankow and Canton. The Department assumes that you have brought or are bringing this matter appropriately to the attention of the Chinese Government.

HULL

394.112/15 : Telegram

*The Consul at Chefoo (Roberts) to the Secretary of State*CHEFOO, July 27, 1938—9 a. m. [*p. m.*]

[Received July 27—10 : 40 a. m.]

At 3 p. m. today it was reported to me that two Americans, Harry E. Clark and Albert R. Wilkins, were struck by Japanese guard 11 : 30 p. m., July 26th after curfew. Incident has been reported to Japanese Consul and commander of Japanese landing party has investigated and found Japanese patrol acted without provocation. I am of opinion incident can be settled locally by accepting expression of regret from Japanese commander, punishment of Japanese guards involved and assurance that orders have been issued to prevent similar occurrences. Please send instructions.

Repeated to Embassy at Hankow.

ROBERTS

394.112/16 : Telegram

*The Consul at Chefoo (Roberts) to the Secretary of State*

CHEFOO, July 28, 1938—11 a. m.

[Received 12:20 a. m.]

My cipher telegram July 27, 9 p. m. Japanese Consul has called formally:

1, to express his regret that Japanese patrols assaulted two Americans.

2, to convey information that Japanese commander shall begin punishment of Japanese naval personnel guilty of assault.

3, Japanese authorities will take steps to prevent recurrence of incident.

Please telegraph instructions.

Repeated to Embassy at Hankow and Peiping.

ROBERTS

394.112/19 : Telegram

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

HANKOW, July 29, 1938—6 p. m.

[Received July 29—8:15 a. m.]

385. Department's 221, July 28, 7 p. m.<sup>36</sup> and Chefoo's July 28, 11 a. m. I have sent the following instructions to Chefoo:

"July 29, 6 p. m. Your July 27, 9 p. m. and July 28, 11 a. m. You are authorized to accept expression of regret as conveyed to you and consider incident closed. I am glad to observe that you are able to settle these matters locally.

Sent to Chefoo, repeated to Peiping and Shanghai, Peiping please repeat to Tokyo."

I am separately instructing Peiping and Chefoo along the lines of Department's 220, July 28, 6 p. m.<sup>37</sup>

JOHNSON

393.1162 Wuhu Clinic/2 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, July 29, 1938—6 p. m.

[Received July 29—1:30 p. m.]

142. My 138, July 26, 11 a. m.<sup>36</sup> A letter has been received from Dr. Brown<sup>38</sup> giving details of the incident at Wuhu. According

<sup>36</sup> Not printed.

<sup>37</sup> *Ante*, p. 162.

<sup>38</sup> R. E. Brown, American superintendent of Wuhu General Hospital.

to this letter, the incident was the culmination of a series of interviews with the Japanese authorities about the spies of the clinic, which had been reopened on July 11. The clinic is located at present in a chapel, belonging to the same mission as the hospital, which had been occupied for some time by Japanese Army units but which had been formally returned to the mission at the end of May. The clinic building now flies the American flag and bears a promise from the Japanese Consul stating it is American property and should be protected as such.

On July 20th Dr. Brown was questioned by a Japanese military policeman about the clinic and replied to all questions. On July 24th, he was asked to go to military police headquarters where he was informed by a junior officer that the clinic should cease operation until application has been made to the Japanese for permission to operate it. Dr. Brown replied that the Japanese Consul knew of the operation of the clinic, and that while he was willing to furnish the Japanese any desired information and even have the clinic registered he saw no reason why the work should be stopped during the obtaining of such registration. After some discussion he was given registration blanks which he had filled out and returned to the authorities the same afternoon. On the afternoon on July 25, the hospital was informed that another copy of the application blank was desired but this news was apparently received too late to enable the hospital to comply prior to 4 o'clock, the hour at which the military police office closed.

Dr. Brown was informed at about 4:30 p. m., that two soldiers and an officer had come to the clinic and asked Dr. Morgan<sup>39</sup> to go to their headquarters to discuss the matter. Dr. Morgan replied that administrative matters were not his concern and he referred the soldiers to Dr. Brown at the hospital. The officer then ordered the soldiers to take Dr. Morgan to police headquarters. The two soldiers grabbed Dr. Morgan, twisting his arms painfully, and forced him to accompany them. Dr. Brown went at once to the clinic to investigate and then started to the police station. En route he met Dr. Morgan who had been released and the two of them went to the Japanese authorities and protested. Dr. Brown concludes his letter with the statement: "We expect to continue going to the clinic."

Up to the present no reply has been received from the Japanese Consul General to my note of July 26, informing him of the incident and requesting an investigation.

Sent to Hankow, repeated to Peiping and Shanghai. Shanghai please repeat to Tokyo.

ALLISON

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<sup>39</sup>L. S. Morgan, American staff member of Wuhu General Hospital.

394.1123 Thomson, J. C./32 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOkyo, July 29, 1938—11 p. m.

[Received July 29—8:20 p. m.]

500. Department's 259, July 28, 4 p. m.<sup>40</sup> Publication of *aide-mémoire* on Thomson incident.

1. In weighing the Department's inquiry I have given full consideration to the importance, particularly at present, of endeavoring to reduce elements of irritation in our relations with Japan so far as is possible without depriving the American public of the publication of such information as it may rightfully expect. I believe that the Foreign Minister is endeavoring to put a stop to such incidents as the Thomson case, and in the meantime I think that no constructive good can be accomplished by steps which would be interpreted here as lack of faith in his efforts.

Therefore, although I told the Minister in our conversation on July 21 that my Government might find it necessary to give publicity to its position and to the record in the Thomson case, and although the Minister at that time raised no objections, I nevertheless felt it wise today to approach the Foreign Office through Yoshizawa informally and as a matter of courtesy to announce the Department's intention to publish our *aide-mémoire*.

2. Yoshizawa, after reference to the Minister, said that if we published the *aide-mémoire*, the Foreign Office would then feel obliged to publish the Japanese side of the case which would be entirely contradictory, thereby creating an impasse which he likened to the Keelung incident.<sup>41</sup> He said that this would give rise to adverse popular feeling in both our countries which would be of no help in the settlement of future differences and he added that he could foresee marked irritation on the part of the Japanese military in China which also would not be helpful. Yoshizawa furthermore stated that he had talked with a staff officer just returned from China who had been present in Nanking at the time of the Thomson incident. This officer said that while there might have been some original apprehension that the sentry had laid hands on Doctor Thomson, the military were now genuinely convinced that not only did the sentry not slap Thomson but that he did not even lay hands on him.

3. Yoshizawa then informally suggested that we step aside for the moment to consider another approach. He proposed that the

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<sup>40</sup> Not printed.

<sup>41</sup> The incident involved brutal treatment of British sailors by Japanese police at Keelung, Taiwan (Formosa), in October, 1936.

Japanese authorities issue a public statement in connection with the Thomson incident that while the Japanese Government maintains its position and conviction as to the facts of the case, the Japanese military will nevertheless impress upon the Japanese soldiery the importance and propriety of maintaining at all times an attitude of civility toward American nationals, and that for our part we issue a simultaneous statement that after lengthy discussion the conclusion has been reached that no good purpose would be served by further controversy over the incident and that while the American Government can not relinquish its position and conviction as to the facts of the Thomson affair, we will nevertheless, in view of the Japanese intention to caution its own soldiery, take appropriate occasion to caution our nationals as to the importance of paying due consideration to the duties of Japanese sentries in the occupied areas.

4. The foregoing formula was reached only after several conversations and after I had categorically declined even to transmit to Washington the formula which the Foreign Office first proposed.

5. Yohizawa stated that there was no alternative to the foregoing procedure without incurring sharp friction.

6. I myself believe implicitly in Dr. Thomson's version. Nevertheless, while strongly reluctant to cede any point on these current incidents, I cannot avoid the opinion that in the interest of a solution of the many issues with which we are faced in connection with Japanese activities in China we shall gain more in the long run by aiming to avoid acute friction when such friction can be avoided without sacrificing national dignity. I also believe that such efforts as General Ugaki may be making to implement his various assurances to us will be more likely to bear fruit if we can succeed in the meantime in tempering publicity both in the United States and Japan.

No repetition.

GREW

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893.115 Standard Vacuum Oil Company/41 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, July 31, 1938—noon.

[Received July 31—7 a. m.]

478. Tientsin's despatch 632, June 23,<sup>42</sup> protection of American cargo.

1. Tientsin's Consulate General has received letter from Standard Vacuum Oil Company stating a supply of gasoline scheduled to arrive about August 20 at Taku Bar on S. S. *Ahamo*, that it will be im-

<sup>42</sup> Not printed.

possible to transport the gasoline to Tientsin unless a guard of American marines is stationed on the (British) Taku Tug and Lighter Company's tug towing the gasoline lighter because the latter company is unwilling to operate vessels under present conditions without armed foreign guards, that the British are not prepared to furnish guards for this British company's vessel carrying American gasoline, allegedly because of the danger, that two trips to Tientsin will be necessary to transport the gasoline, and that an early decision is requested so that, if no guard is to be furnished, the ship may be diverted to Shanghai.

2. Colonel Marston<sup>43</sup> states that he has no objection to furnishing four to eight men as guard, provided the Department does not object, and expresses the opinion that guards should be furnished if possible.

3. Please instruct.

Sent to Ambassador, Hankow.

SALISBURY

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393.115 Standard Vacuum Oil Company/43 : Telegram

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

HANKOW, August 1, 1938—4 p. m.

[Received August 1—7 a. m.]

329. Peiping's 478, July 31, noon. I believe it would be advisable to authorize the placing of a marine guard on the British tug as it appears that unless this is done the American cargo in question will be unable to reach Tientsin.

I presume Department will issue appropriate instructions to Peiping.

JOHNSON

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393.115 Standard Vacuum Oil Company/47 : Telegram

*The Secretary of State to the First Secretary of Embassy in China (Salisbury), at Peiping*

WASHINGTON, August 2, 1938—3 p. m.

211. Your 478, July 31, noon, and Hankow's 329, August 1, 4 p. m., in regard to the placing of American marines on British tug for protection of American cargo.

1. Tientsin's despatch No. 632, June 23,<sup>44</sup> in regard to protection of American cargo has not been received by Department.

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<sup>43</sup> Col. John Marston, U. S. M. C., commandant of American Embassy Guard at Peiping.

<sup>44</sup> Not printed.

2. Department would be reluctant to authorize placing of American marine guard on a vessel flying other than the American flag without more comprehensive knowledge of the facts in the situation. Please inquire and report on points as follows:

- (a) what kind and degree, if any, of protection might be afforded the shipment by local authorities;
- (b) is there not available transportation flying the American flag;
- (c) what is the character of the danger referred to in paragraph 1 of your telegram under reference; and
- (d) what is the existing general practice in regard to affording protection to shipments between Taku Bar and Tientsin.

3. Please report as soon as possible upon the points mentioned above and give any available pertinent information that may facilitate Department's arriving at an appropriate decision.

Repeat to the Ambassador.

HULL

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393.1115/3478 : Telegram

*The Consul at Tsingtao (Sokobin) to the Secretary of State*

TSINGTAO, August 2, 1938—midnight.

[Received August 2—1:15 p. m.]

Local Japanese Consul General and railway refuse to permit foreigners including Americans to travel by rail from this city westward, the reason given being "because of developments on the railway which the Japanese Consulate General is not at liberty to discuss." However, foreigners are arriving in Tsingtao from Tsinanfu by rail with no interference.

No definite date is given when permission will be granted for foreigners to travel on trains for the west. Some Americans whose presence in Missions is of importance are seeking the assistance of this Consulate which believes their return will continue to be delayed by Japanese authorities.

Can the Embassy ascertain the real reasons for refusal, since travel to Tsinanfu from Tientsin is still possible?

Sent to Peiping, Hankow. Sent by mail Tokyo.

SOKOBIN

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393.115 Standard Vacuum Oil Company/46 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, August 3, 1938—11 a. m.

[Received August 3—6 a. m.]

484. Reference paragraph 1 of Embassy's 478, July 31, noon. Colonel Marston states that he prefers that his opinion be expressed

as follows: he believes that guards should be furnished in the interests of American trade, provided that there are no diplomatic objections and provided that the guard can be placed on a separate conveying tug.

Sent to Ambassador [aboard] *Luzon*.

SALISBURY

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394.1123 Thomson, J. C./34: Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, August 3, 1938—5 p. m.

267. Your 500, July 29, 11 p. m., in regard to publication of *aide-mémoire* on the Thomson incident.

1. Without prejudicing our initial intention to give publication to the *aide-mémoire* on the case, we are prepared, in the light of the considerations brought forward in your telegram under reference, to "step aside for the moment" to consider the proposal made by Yoshizawa. However, we find objectionable the possible implications of, and are therefore not inclined to agree to, the concluding phrase in paragraph 3 of your telegram. Provided the Japanese are prepared to issue a statement as set forth in paragraph 3 of your telegram, we would be prepared to issue simultaneously a statement that

"after and in the light of a long discussion of the matter, we are convinced that no effectual purpose would be served by further contention over the incident, and that, while this Government continues to adhere to its understanding of the facts of the Thomson incident, we are prepared, in view of the Japanese authorities' statement of intention to caution Japanese soldiery, to consider the case closed".

2. However, should you find it impossible to induce the Japanese to agree to the formula above, you are authorized to submit an alternative formula for a statement by us as follows: (same as the above up to the words "Thomson incident" and continue)

"we are confident that the intention of the Japanese military authorities, when carried out, to impress upon Japanese soldiery the importance and propriety of maintaining an attitude of civility toward American nationals, together with the known desire and intention, reinforced by advice from American officials in China, of American nationals to avoid giving occasion for difficulties with Japanese sentries, would contribute substantially toward preventing friction, and therefore toward preventing future incidents, and, under these circumstances, we are prepared to consider the Thomson case closed."

Should you find it necessary to propose the foregoing formula, we would of course be prepared to consider minor changes in phraseology which you might recommend but we suggest that you make it



clear to the Japanese that we are not prepared further to modify our position.

3. We hope that you will be able to reach an early agreement with the Japanese Foreign Office in order that discussion of the matter may be terminated.

HULL

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393.1162 Wuhu Clinic/3 : Telegram

*The Third Secretary of Embassy in China (Allison) to the Secretary of State*

NANKING, August 4, 1938—2 p. m.  
[Received August 4—10:30 a. m.]

145. My 142, July 29, 6 p. m., and 138, July 26, 11 a. m.<sup>45</sup>—Wuhu incident. A further letter, dated August 2, has just been received from Dr. Brown stating that continued attempts have been made to get the hospital to close its clinic until permission has been obtained from the Japanese authorities. Dr. Brown was told by a representative of the Japanese Consulate that the military had agreed to give the clinic a permit if it would close for 3 days. Upon asking why it was necessary to close, Dr. Brown was informed that as Wuhu was in occupied territory nothing could be done without the permission of the army, and it was suggested the clinic might be closed by force. Dr. Brown states he intends to continue operating the clinic unless instructed by Department to close it and he requested my instructions.

It is felt that the principle involved is one of considerable importance which will affect the operation of the American institutions in the occupied areas. Instructions are therefore requested as to whether or not I am authorized to inform the local Japanese authorities that the American Government cannot recognize the right of the Japanese authorities to interfere with the legitimate activities of American citizens and institutions, and to respectfully request instructions be issued to the Japanese authorities at Wuhu to afford the hospital and the clinic protection in its work.

Sent to Shanghai. Repeated to the Ambassador and Peiping.

ALLISON

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<sup>45</sup> Latter not printed.

393.115 Standard Vacuum Oil Company/48 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, August 4, 1938—3 p. m.

[Received August 4—10:44 a. m.]

488. Department's 211, August 2, 3 p. m., and Embassy's 484, August 3, 11 a. m.

1. In reply to Department's inquiries Embassy submits the following from Tientsin's despatch June 23:

(a) Because of presence of irregulars along the Haiho, the Tientsin Consulate General requested local authorities in Nanking to render protection to a Texas Company cargo [and] was informed that strict orders had been issued to the water and marine police to protect river navigation and the cargo reached Tientsin safely but the steps taken by the police apparently did not work any permanent improvement in the situation;

(b) The only gasoline lighter operating on the river is British owned;

(c) Rifle fire piercing a lighter of gasoline might cause the gasoline to explode;

(d) For the transportation of general cargo British soldiers have for such action been acting as guards on the towboats of the British lighter company but the British military authorities refuse to place a guard on a tug towing American gasoline.

2. This office has not received Hankow's 329, August 1, 4 p. m., but trusts that the above will adequately cover the question from this end.

By mail to Chungking.

SALISBURY

393.1162 Wuhu Clinic/6 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, August 4, 1938—7 p. m.

472. Your 1066, August 4, 9 p. m., to the Ambassador and Hankow's 398, August 4, 11 a. m.,<sup>46</sup> in regard to Nanking's 145, August 4, 2 p. m. The Department approves your recommendation in regard to action by Allison and desires that you promptly and vigorously take this case up with the appropriate Japanese authorities at Shanghai.

Please repeat to the Ambassador.

Repeat to Tokyo those portions of Nanking's 145 which contain the facts in regard to the situation.

HULL

<sup>46</sup> Neither printed. The Ambassador and the Consul General at Shanghai recommended that Allison be authorized to take the action he proposed in his telegram No. 145, August 4, 2 p. m., p. 428.

393.115 Standard Vacuum Oil Company/50: Telegram

*The Secretary of State to the First Secretary of Embassy in China  
(Salisbury), at Peiping*

WASHINGTON, August 5, 1938—3 p. m.

215. Your 488, August 4, 3 p. m., in regard to furnishing American marine guard for protection of American cargo. Department perceives no objection to marine guard accompanying shipment of gasoline provided guard is transported on vessel flying American flag. Department authorizes Tientsin in its discretion to inform Japanese authorities in advance of date and circumstances of shipment.

Repeat to the Ambassador and inform Tientsin.

HULL

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394.1123 Thomson, J. C./35: Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, August 5, 1938—6 p. m.

[Received August 5—9:30 a. m.]

517. Department's 267, August 3, 5 p. m., Thomson case.

1. We supplied Yoshizawa yesterday afternoon with the text of the draft statement set forth in paragraph 1 of the Department's telegram under reference. His comment then was that his thought had been that the question could be settled on what he called a "50-50" basis, while the Department's draft statement appeared by implication to place responsibility for the incident on the Japanese. He stated that he would consult the War Department at once and communicate again with us this morning.

2. This morning he informed us that the draft statement was "absolutely impossible". After considerable discussion which indicated that there was no likelihood of consideration being given by the Japanese to the first draft, the second draft was presented. We made it perfectly clear that we could make no further concession in substance. Yoshizawa said that the second draft was a "great improvement". However, he queried the word "known" qualifying the phrase "desire and intention of American nationals". He doubted whether that formula would be an acceptable substitute for his original formula to counterbalance Japanese undertaking to caution their soldiers. There then ensued an extended discussion, in the course of which Yoshizawa reiterated that the settlement must be a "50-50" proposition and in which we emphasized that the Department could not give issuance to a statement which might be open to implications inconsistent with the repeatedly expressed position of our Government that

it would not give countenance to any Japanese assertion of jurisdiction or control over American nationals.

3. When we stressed the advantages of immediate settlement, Yoshizawa said that he was also eager to see the incident closed; that he would confer with the War Department today and that he would communicate with us (he hoped tomorrow) as soon as the Japanese had decided on their reply.<sup>47</sup>

GREW

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393.1162 Wuhu Clinic/9 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, August 5, 1938—7 p. m.

272. Nanking's 138, July 26, 11 a. m.,<sup>48</sup> and subsequent telegrams in regard to the American Mission clinic at Wuhu, particularly Nanking's 145, August 4, 2 p. m., which indicates that the Japanese military might take steps to close the clinic. The Department desires that the Embassy bring this matter vigorously to the attention of the Japanese Foreign Office and request that steps be taken promptly to forestall arbitrary and indefensible action by the Japanese military at Wuhu, which, if taken, would be a deliberate and clear violation of American rights, and to insure that the staff of the American Mission clinic shall suffer no further molestation from the Japanese military.

HULL

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393.1115/3494 : Telegram

*The Consul at Tsingtao (Sokobin) to the Secretary of State*

TSINGTAO, August 6, 1938—10 a. m.

[Received 11 p. m.]

Referring to my August 2, 6 p. m. [*midnight*]. Permission has been granted by the Japanese authorities to one American missionary lady to travel by rail from Tsingtao to Weih sien. Other foreigners are still unable to secure permission to proceed on the railroad to the interior.

Sent to Peiping, Chungking.

SOKOBIN

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<sup>47</sup> In despatch No. 3194, August 18, the Ambassador reported that in his next conversation with Mr. Yoshizawa he repeated what he had stated on several previous occasions, that the Japanese Government appeared to think that its forces in China enjoyed all the rights conveyed to a belligerent under the rules of war but avoided, at the same time, all the obligations of a belligerent. Common sense and a regard for existing facts aside, the Ambassador said, no basis whatever existed for the apparent Japanese assumption that an American national in Nanking was under obligation to regulate his conduct toward a Japanese soldier with any more circumspection than he would were the Japanese soldier any other individual. (394.1123 Thomson, J. C./43.)

<sup>48</sup> Not printed.

893.70/36 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, August 6, 1938—6 p. m.

[Received 11 p. m.]

1074. The organization has been completed of the Central China Telecommunications Company and it has commenced operations as of August 1. It is announced that it "will take control over all telecommunications in Central China". These will include the former Chinese Government radio administration, the telegraph administration of the Chinese Ministry of Communications, and the various Chinese municipal and long distance telephone systems, practically all of which were officially owned. This would appear to be the final step in the taking over and consolidation of these services under Japanese control and is evidently closely patterned after the procedure followed in Manchuria. Although the immediate effect will be ostensibly to transfer these facilities from Japanese military to civilian hands, it is apparent that control will remain at least semi-official.

The capital is announced to be 15,000,000 yen. Of this amount 5,000,000 yen represents the seized Chinese properties, i. e., largely "contributed in kind" by the "Reformed Government". 4,000,000 yen is to be contributed by Japanese electrical interests which include the Japanese Telegraph and Telephone Company and the International Electrical Communications Company. The remaining 6,000,000 yen is to be put up by the Central Chinese Development (redirected) Company, the organization of which has not yet been completed. American interests estimate, however, that little actual capital is being paid up at the present time.

Although the new company is said to be of Chinese "Reformed Government" registry, the president and the general manager are to be Japanese and only two Chinese, personal representatives of the "Reformed Government", are to serve on the Board of Directors. A Mr. Hiroshi Fukuda is president. The head office is at Shanghai. The American radio companies, R. C. A. and Mackay, who had traffic contracts with C. G. R. A. for the operation of circuits to the United States, have been informed by the new company that it does not desire to make new contracts with them but merely to continue the old agreements in force until their normal expiration. Operation of these circuits since the seizure of C. G. R. A. by the Japanese military in January has already been on this basis. Since the Japanese have observed the terms of the contracts to the satisfaction of the American interests, both American companies are now understood to be informing the Central Chinese Telephone Communications Company that

they are willing to continue cooperation on the basis of their old contracts with C. G. R. A.

While American radio companies are inclined to complain on the ground of Japanese violation of their rights, they state that they are suffering heavy losses because of the general refusal of the public to use the Japanese controlled radio services and its consequent patronage of the cables. They state that their share in the radio-cable traffic between China and the United States has fallen from about 85 to about 15% since Japanese seizure of C. G. R. A. American electric railway equipment manufacturers expect to suffer since they feel that Japanese control of these services will result in no further purchases by them of American equipment.

Repeated to the Ambassador and Peiping. By mail to Tokyo.

LOCKHART

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893.512/1524: Telegram

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

HANKOW, August 7, 1938—noon.

[Received August 8—7 a. m.]

400. Following telegram has been received from Peiping:

"August 5, 5 p. m. Chefoo asks Embassy's instruction in regard to a request of local police chief that Americans there pay automobile license fee of Chinese dollars 50 and bicycle fee of Chinese dollars 5 per annum, such fees allegedly to be applied to road repairs. Roberts feels that Americans should not be advised to pay these fees because they already voluntarily contribute to road repairing, because foreigners in principal residential sections paid in 1937 over Chinese dollars 5,000 as compared to some Chinese dollars 8,000 assessed Chinese residents of the district, and because police will not give assurance that license fees will entitle licensees to operate vehicles throughout the province without payment of supplemental tax.

2. Embassy does not consider the license fees in question to be unreasonable and believes that they fall within the purview of Legation circular 176, July 6, 1927, which states the Department's opinion that American citizens should be advised to pay as voluntary contributions municipal tax levied upon Chinese and foreigners when rates are reasonable. We do not feel that payments of such fees should be refused because of the road repair contributions mentioned which if again requested for following current year might be considered a question to be studied on its own merits.

3. Kindly instruct. Sent to the Ambassador only."

In my opinion if tax equitable and funds collected are used for road repairs, et cetera, Americans should be advised to pay tax as a voluntary contribution. If Department approves, I shall so instruct Chefoo.

JOHNSON

393.1162 Wuhu Clinic/10 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, August 8, 1938—3 p. m.

[Received August 8—7:15 a. m.]

1075. My 1073, August 6, 3 p. m., to the Department.<sup>49</sup> Japanese Consul General telephoned me this morning and stated that instructions issued from Shanghai to the military authorities at Wuhu not to interfere with the operation of the clinic. Hidaka expressed the view that the instructions would be effective in preventing further difficulties with reference to the Clinic. He stated that he believes the matter has already been amicably adjusted. If this does not prove to be correct, please advise me.

Sent to Nanking, repeated to the Ambassador, Peiping and Tokyo.

LOCKHART

393.1164 University of Shanghai/61 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, August 9, 1938—4 p. m.

277. Your 501, July 30, 11 a. m.,<sup>50</sup> in regard to the University of Shanghai. The Department desires that at such time as you consider opportune and in such manner as you deem appropriate you continue your efforts to obtain a satisfactory settlement.

HULL

393.1164 University of Shanghai/62 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, August 10, 1938—4 p. m.

[Received 8 p. m.]

1087. The Department's 277, August 9, 4 p. m. to Tokyo concerning University of Shanghai.

1. In the course of calls on the Japanese Consul General on August 3, 6, and again this morning I brought up the question of the return of Shanghai University to its owners. The situation remains unchanged inasmuch as the Japanese are unwilling to alter the position which they have heretofore firmly maintained. Hidaka has stated on each occasion that the military authorities are denying access not only to this property but to Point Island and to other nearby areas

<sup>49</sup> Not printed.

<sup>50</sup> Not printed; but see the Ambassador's memorandum of July 30, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 778.

and that even Japanese nationals are not permitted access to properties in that district. The military are adamant and I see no immediate prospect of a change in their position. The mission authorities gave out a statement recently setting forth their position in this controversy and this statement was published in part by one of the local newspapers on August 5th.

2. I shall continue to bring this case to the attention of the Japanese Consul General from time to time. I have had frequent contacts with him during the past month and this case is almost invariably one of the topics of discussion.

Repeated to Chungking and Tokyo.

LOCKHART

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893.512/1524: Telegram

*The Secretary of State to the Ambassador in China (Johnson), at Chungking*

WASHINGTON, August 10, 1938—5 p. m.

227. Your 400, August 7, noon, in regard to automobile and bicycle license fees at Chefoo. The Department concurs in the opinion of the Embassy that the license fees in question do not appear to be unreasonable and that, provided the fees are collected from foreigners and Chinese without discrimination and the funds so collected are used for road repairs, American nationals should be advised to pay the fees as voluntary contributions.

HULL

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394.1153 Smith Company, Werner G./40: Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, August 10, 1938—8 p. m.

[Received August 10—6: 58 p. m.]

1088. Your 477, August 9, 4 p. m.<sup>51</sup>

1. In the course of calls upon the Japanese Consul General on August 3 and 6 and again this morning I brought up the question of the release of the wood oil. On all three occasions I pressed Hidaka for the unconditional release of the oil and for simultaneous permission for the transportation of the wood oil to Shanghai, either on board a Japanese vessel or otherwise. On each occasion I emphasized the loss the company is incurring by the continued detention of

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<sup>51</sup> Not printed; the Department asked Tokyo, Shanghai, and Nanking to continue to press for the unconditional release of the wood oil (394, 1153 Smith Company, Werner G./39).



the oil and pointed out the deterioration that is undoubtedly taking place. Hidaka's attitude on each occasion has been that it is difficult to persuade the Japanese naval authorities to make an unconditional release of the oil and he has reiterated the naval authorities' "disappointment" that the offer of the Japanese to release the oil in custody of the U.S.S. *Oahu* was not acceptable.

2. Before Mr. Smyth<sup>52</sup> left for Nanking I discussed this case with him and suggested that he press the matter at Nanking with the naval authorities there, his approach to be through the Japanese Consul. Mr. Smyth reviewed all the papers in the case and will endeavor to obtain a settlement there. Apparently there is little further that can be done through the Japanese Consul here but I shall continue to press him from time to time, as I have done for some weeks past.

3. A member of the staff of the Japanese Consulate called this morning at this Consulate and in discussing the wood oil cases with a member of the staff inquired whether it would be possible to arrange a settlement of the matter by the Japanese naval authorities purchasing the wood oil for naval uses. He was informed that this would depend entirely upon the terms of the offer and also upon the American owners' decision. He was informed that if an offer is received for the purchase of the oil it would be transmitted to the owners, the Werner G. Smith Company of Hankow. It seems probable that an offer to purchase the oil will shortly be forthcoming.

Repeated to Chungking, Hankow and Tokyo.

LOCKHART

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393.115 Standard Vacuum Oil Company/54: Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, August 11, 1938—4 p. m.

[Received August 11—1:15 p. m.]

1094. On July 22, at the request of the Standard Oil Company, I wrote the Japanese Consul General at Shanghai requesting him to obtain permission for the company's steamship *Meinan* to proceed to Chinkiang, Nanking and Wuhu with a cargo of oil. On July 31 the Consul General replied stating that "since the localities mentioned above are within the sphere of the military operations, the Japanese naval authorities find it still inopportune to comply with the request at the present time." The oil company states it will suffer considerable loss of business if it is not able to send this shipload of oil products to replenish stocks at these ports and requests that this office continue to press the matter. I have therefore again written to the Japanese Consul General.

<sup>52</sup> Robert L. Smyth, Second Secretary of Embassy in China.

This is the first case in which an American commercial vessel has sought permission to navigate on the Yangtze above the Kiangyin boom. It is understood that the British have been negotiating with the Japanese on the same problem, both here and in Tokyo, with no success. Some Japanese commercial vessels, however, appear to be operating (see my No. 1046, July 29, 3 p. m.<sup>53</sup>).

It may be mentioned that the hostilities passed beyond Wuhu almost 8 months ago and are now 200 miles up the river from Wuhu.

Repeated to Ambassador and Peiping. To Tokyo by mail.

LOCKHART

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394.1123 Thomson, J. C./36 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, August 11, 1938—5 p. m.  
[Received August 11—10:55 a. m.]

527. Our 517, August 5, 6 p. m.—Thomson case.

1. We conferred yesterday and again today on proposed statements with regard to the Thomson incident. The Foreign Office stated at the outset that the Japanese Government has repeatedly cautioned its troops in China to respect American citizens and to deal with them with circumspection and civility and that in this connection there has been no change of attitude or intention. However, in the proposed statement to be given out by the American and Japanese Governments, respectively, for the purpose of putting an end to the Thomson case, the Japanese Government would not be disposed, in view of the fact that neither party has relinquished its original stand, to announce that the Japanese Government was taking additional measures to caution Japanese troops unless the American Government could at the same time announce that American nationals were being officially advised to avoid raising difficulties with Japanese sentries. The Japanese Government was confident, however, that if action along the lines proposed by the Foreign Office were taken by both Governments, it would conduce to the preventing of future incidents.

2. The Foreign Office refused to accept the phrase "the known desire and intention of American nationals" in the Department's draft or to consider any equivalent substitute. It took the position that the phrase implied that there has already been an official American announcement of intention to regulate the attitude of American nationals in China toward Japanese soldiers. While admitting that the attitude of the great majority of American nationals in China has been one calculated to avoid difficulties with the Japanese, the Foreign Office contends that there have been a number of instances of

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<sup>53</sup> Not printed.

difficulties in which American nationals have taken the initiative, and that in the light of these cases the Japanese Government cannot give its agreement to a statement which would convey to the public the impression that the fault in the Thomson case, as in other cases, rests with the Japanese military. Comment: It seems to us that the phrase to which the Japanese have taken exception is ambiguous. As there is, in our opinion, no likelihood of its being acceptable to the Japanese Government, we recommend that it be dropped.

3. The Foreign Office stated that, if the Department will agree to the inclusion of some phrase which would refer to the giving by American nationals of consideration to the duties of Japanese sentries as a factor in preventing future incidents, the Foreign Office will go as far as possible toward meeting any objection which we might have to such a statement on the ground that it would prejudice the rights of American nationals in China. The Foreign Office accordingly proposed the inclusion, after the word "avoid", the clause "with due consideration for the duties of Japanese sentries". We suggested as a possible substitute the clause "by refraining from action obstructive of the duties of Japanese sentries but without prejudice to rights of American nationals". The Foreign Office is prepared to accept our suggested phrase. Comment: It would have been helpful to us if the Department had specified the "possible implications" which made Yoshizawa's original formula objectionable. If, as we assume, the most important of these implications was the possible effect of the formula, if included in the announcement, upon rights of American nationals in China, the phrase we have suggested would appear to provide adequate safeguard. In this belief, we recommend the phrase suggested by us to the favorable consideration of the Department.

4. Although the point is a minor one, the Foreign Office feels that the phrase "when carried out" might better be omitted, but states that if the Department insists on its retention in reference to "the intention of the Japanese military authorities", it should be inserted after the word "advice" and before "of American officials".

5. As a check against possible error, the draft statement to whose issuance by the Department the Foreign Office is agreeable would run as follows: (No change from the Department's draft up to the words "civility toward American nationals" injured [*sic*] and continue) "together with the advice of American officials in China to American nationals present in those areas to avoid, by refraining from action obstructive of the duties of Japanese sentries but without prejudice to the rights of American nationals, giving occasion for difficulties with such sentries would contribute" (continue to the end of the Department's draft without change). The proposed statement which would be issued by the Foreign Office would read as follows: "After and in the light of a long discussion of the matter we are convinced that no

effectual purpose would be served by further contention over the incident, and that, while this Government continues to adhere to its understanding of the Thomson incident, we are confident that the proposed advice of American officials in China to American nationals present in the Japanese occupied areas to avoid, by refraining from action obstructive of the duties of Japanese sentries but without prejudice to the rights of American nationals, giving occasion for difficulties with such sentries, together with the intention of the Japanese military authorities to impress upon Japanese soldiers in the occupied areas the importance and propriety of maintaining an attitude of civility toward American nationals, would contribute" (continue to end of Department's draft without change).

6. If the proposed changes are agreeable to the Department, the Foreign Office proposes that release to the press be made both at Washington and at Tokyo for publication before noon August 13, Tokyo time.

GREW

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394.1123 Thomson, J. C./41 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, August 13, 1938—2 p. m.

287. Your 527, August 11, 5 p. m., Thomson case.

1. After careful consideration of all the circumstances attending the Thomson case and the resulting discussions with the Japanese authorities, the Department, being convinced that no fault lay with the American side, does not feel that it can properly consent to any statement which would further modify in favor of the Japanese side the statement proposed in paragraph 2 of the Department's 267.<sup>53a</sup>

2. Bearing in mind, however, the last sentences of paragraphs 1 and 6 of your 500, July 29, 11 p. m., the Department is inclined, in the absence of further unfavorable developments, to take no initiative in regard to publicity in this long drawn out and still unsettled case.

3. You may in your discretion, and subject to any further comment that you may wish to make to the Department, inform the Japanese Foreign Office in the above sense.

HULL

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393.1163 American Church Mission/39 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, August 13, 1938—2 p. m.

487. Hankow's July 13, 4 p. m., July 20, 9 a. m., August 11, 4 p. m., and August 12, 3 p. m., and your 990, July 14, 4 p. m., 1098, August 12,

<sup>53a</sup> August 3, 5 p. m., p. 427.

4 p. m., and 1106, August 13, 3 p. m.<sup>54</sup> Unless you have already done so, the Department desires that you make comprehensive and emphatic representations to the appropriate Japanese authorities recapitulating succinctly the essential facts and circumstances of the attacks on American mission properties at Wuchang as reported in the telegrams under reference and pointing out that notwithstanding the fact that the mission properties had been marked on maps delivered by you to Japanese authorities, the mission properties under reference have been bombed no less than seven times since July 12, and particularly emphasizing the fact that in the course of these attacks American lives have been directly imperiled. You should request that immediate and effective steps be taken to prevent a recurrence of such deplorable attacks.

Please repeat to Tokyo<sup>55</sup> and Hankow.

HULL

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793.94/13667 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, August 13, 1938—5 p. m.

[Received August 13—4 : 52 p. m.]

Radio from the U. S. S. *Monocacy* August 12 states *inter alia* that it had been informed by a Japanese naval officer :

- (1) that Japanese Consul, Kiukiang, had been replaced by a Vice Consul;
- (2) that *Monocacy* may maintain contact with the city through the Japanese Navy;
- (3) that return of Americans to their residences is indefinite and cholera bad;
- (4) that Japanese have no contact with Kuling, that guerrillas are bad and the Japanese will when possible make arrangements for a visit.

*Monocacy* reports instructed to proceed Wusueh.

Repeated to Peiping and to Chungking.

JOSELYN

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893.70/38 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, August 16, 1938—4 p. m.

[Received 4 : 23 p. m.]

1116. Ambassador's No. 34, January 15, 11 a. m., Shanghai's [*Department's*] No. 18, January 13, 7 p. m. and [our] No. 1074, August

<sup>54</sup> None printed.

<sup>55</sup> See note of August 16, from the American Ambassador in Japan to the Japanese Minister for Foreign Affairs, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 619.

6, 6 p. m., and despatches 1210 [1412], May 6, 1938 and 1219 [1432], May 16, 1938.<sup>56</sup>

1. Managers of Commercial Pacific Cable Company, Great Northern Telegraph Company, and the Eastern Extension Telegraph Company have received a letter dated August 4 from the Special Service Section of the Japanese Army notifying the companies that with the establishment of the Central China Telecommunications Company on July 31 all the enterprises of telecommunications in Central China will be controlled by the new company. The Special Service Section requests that all the documents regarding the calculations of the international telegram charges which have been sent to the office for International Telecommunications traffic charges of the Ministry of Communications of the National Government by the three companies should in the future be sent to the office of the Central China Telecommunications Company at Sassoon House, Shanghai, and that the monthly expenses of \$8000 is also to be remitted to the same company by the 20th of each month. It is stated that a joint registration office has been established by the Central China Telecommunications Company and that all abbreviated addresses registered with the three companies must be notified to the new company once a day and that the fees for each registration must be deposited with the new company.

2. The above notification virtually amounts to the administrative control of the acceptance and delivery office of the three foreign companies by the Central China Telecommunications Company, provides for checking the accounts of the three companies by the new company and requires registration of telegraphic addresses by the new company. The three foreign cable companies are more concerned over this development than over previous demands of the Japanese military authorities for control, inasmuch as the Reformed Government appears one of the principal stockholders in the new enterprise.

3. At a meeting yesterday at which were present the managers of the three cable companies concerned and the Danish Minister, the British Consul General and myself, the matter was discussed at length, and it appeared to be the concensus of opinion that every effort should be made by the cable companies to maintain the *status quo* as long as possible and at least until such time as the Danish, British and American diplomatic and consular officers could receive an indication from their respective governments of their attitude on the question. My own view is that, unless the three companies feel that their interests in Japan and elsewhere might be seriously jeopardized, the managers of the three companies should be advised to inform the Japanese that the companies are not in a position to meet the wishes

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<sup>56</sup> Neither despatch printed.

of the Special Service Section in this matter because (1) the companies do not concede that the Japanese have any rights per se by [to?] the cable companies under their contracts with the Central Government, (2) that it is necessary to keep the cable office on a strictly neutral basis and (3) that the cable companies should be unrestricted in their operations to and from foreign countries under existing arrangement or agreements. The Department's instructions are respectfully requested.

Repeated to Chungking, Peiping, and by mail to Tokyo.

LOCKHART

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304.1153 Smith Company, Werner G./45 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, August 16, 1938—5 p. m.

[Received August 16—2:30 p. m.]

1117. My 1088, August 10, 8 p. m.

1. The Japanese Consul General came to see me today and inquired whether the wood oil case could now be settled on the basis of the requisitioning of the oil by the Japanese naval authorities, payment to be made on the basis of cost price as shown by the invoices and shipping documents, such payment to be made in United States currency if the papers show that the oil was purchased on that basis. Hidaka stated that the question of any loss by theft or leakage would necessarily have to be adjusted later. I pointed out that there might possibly also be some charge for the use of the junks but Hidaka would not commit himself on this point because he said the Japanese military may claim possession of the junks as Chinese property. Hidaka emphasized that the Japanese naval authorities do not wish to be placed in the position of purchasing the oil because such action might create an embarrassing precedent but that he felt sure the question could be settled on the basis of requisitioning the oil for naval uses and payment therefor as such. Hidaka reported that the naval authorities are very anxious to settle this long standing case and he expressed the hope that the Department and the owners of the oil would accept the proposal in principle after which the exact value of the oil could be determined and payment made. I believe that this proposal offers the only possibility of settling this case in the near future.

2. A copy of this telegram and my 1088, August 10, 8 p. m., have been sent by mail to Nanking.

Repeated to Chungking, Hankow and Tokyo.

LOCKHART

393.115 Associated American Industries/2 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, August 17, 1938—4 p. m.

491. Your 1081, August 10, 10 a. m.,<sup>57</sup> lease of Chinese enterprises by Associated American Industries, Incorporated.

1. In your attitude toward the leases in question you should give full weight to the consideration that the American authorities will not support attempts by American firms or individuals in China to use the shelter which their nationality affords as a means of affording protection to Chinese enterprises. At the same time, the American authorities naturally desire to afford every appropriate protection and assistance to legitimate American enterprises entered into in good faith.

2. Before making a decision upon the question of whether the American authorities should give their support to the efforts of the Associated American Industries, Incorporated, to place the lease arrangements in operation, the Department desires more detailed information. Please carefully investigate the matter and report further to the Department, taking into consideration the time when and the purposes for which the Associated American Industries, Incorporated, was created, its past activities and the details of its plans for operating the leased enterprises. Please report also the areas in which the enterprises in question are located and why the Associated American Industries applied to the Japanese authorities for permits to operate the leased enterprises in question. The Department would appreciate an expression of your opinion, upon the basis of the results of your inquiry, whether the parties to the leases contemplate actual American operation and control in good faith of the Chinese enterprises concerned.

Repeat by mail to Peiping, Chungking and Tokyo. A copy of your telegram under reference should also be mailed to Tokyo.

HULL

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394.1153 Smith Company, Werner G./46 : Telegram

*The Second Secretary of Embassy in China (Smyth) to the Secretary of State*

NANKING, August 17, 1938—5 p. m.

[Received 7:44 p. m.]

151. Reference Nanking's 150, August 13, 2 p. m.<sup>57</sup> Consul General Hanawa informed me this morning that he had seen the Japanese

<sup>57</sup> Not printed.



naval authorities again, but that they would not release the oil unconditionally, asserting that navigation on the Yangtze between Nanking and Shanghai was still dangerous due to floating Chinese mines, Japanese munitions vessels, et cetera. He said that the naval authorities considered the status of the case to be the same as when discussions were carried on some time ago in Shanghai with the American consular authorities there with a view to a possible release for storage ashore at Nanking. He added that the Japanese naval authorities would probably require for such conditional release some document in the nature of a bill of sale from the Chinese seller to the American authorities as proof of his ownership, but, even assuming that such a document were forthcoming, he could give no assurance that the conditional release would be granted.

I repeated the various reasons why the American authorities considered that the oil should be released, and stated that unconditional release was desired and not merely release for storage ashore at Nanking. I expressed surprise that the question of American ownership should now be raised. I stated that navigation on the Yangtze below Nanking appeared to be safe and that Japanese commercial vessels were plying between Nanking and Shanghai. He offered the usual argument that these vessels had been taken over by the Japanese military authorities for the transportation of military supplies. He continued that, although this part of the river was still considered dangerous for commercial navigation he believed that the Japanese naval authorities might shortly alter their views, indicating that this would perhaps occur after the anticipated capture of Hankow.

It seems evident that the attitude adopted by the Japanese naval authorities in this case is in line with the apparent intention of the Japanese authorities to place every obstacle in the way of non-Japanese foreign trade along the Yangtze, to prohibit non-Japanese foreign shipping on the Yangtze, and probably to establish the Japanese shipping monopoly on the river. There seems to be little doubt that Japanese vessels carry commercial freight on the Yangtze (see Nanking's 134, July 12, 3 p. m. and Shanghai's 988, July 13, 7 [9] p. m.<sup>60</sup>) and the obstacles placed in the way of non-Japanese foreign trade in this area, such as in the oil and tobacco business, among others, are well known.

This office will continue to press the Japanese authorities here for the unconditional release of the wood oil, but I do not believe that this will be obtained without orders from the higher authorities in Tokyo. Consul General Hanawa, in favor of it, intimates that he would accomplish nothing with his naval authorities here and suggests that it would be advisable to take up the matter in Tokyo.

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<sup>60</sup> Latter not printed.

Sent to Shanghai. Repeated to Department and Hankow. Shanghai please repeat to Tokyo.

SMYTH

393.1115/3534 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, August 18, 1938—3 p. m.

[Received August 18—7 a. m.]

503. Embassy's 492, August 6, 11 a. m., and Tsingtao's August 10, 2 p. m.<sup>60</sup>

1. A member of the Japanese Embassy stated this morning that travel between Tsingtao and Tsinanfu for foreigners is not permitted because of the danger involved.

2. In view of reports from foreign travellers [of] guerrilla activities in Shantung, it is the opinion of this Embassy that it would be inadvisable for the time being to press the question with the Japanese authorities.

Repeated to Chungking and Tsingtao.

SALISBURY

393.11/2105 : Telegram

*The Consul General at Tientsin (Caldwell) to the Secretary of State*

TIENTSIN, August 19, 1938—noon.

[Received August 19—7 a. m.]

158. I have received reports from confidential source which should be reliable that Pei-tai-ho is in danger of attacks for robbery or kidnapping from bandits in that vicinity; that Pei-tai-ho police force is inadequate to oppose such attacks; that no Japanese troops are stationed there and that requests of local officials for despatch of Japanese troops have been refused.

It is impossible to verify these reports and I am not entirely convinced that there is serious danger to American lives and property in Pei-tai-ho, but conditions in that area are such that this warning should not be entirely ignored. It is known that in the past few weeks the members of the Eighth Route Army and bandits (which are often indistinguishable from each other) have rapidly increased in East Hopei, and that the situation at and near Tongshan is precarious. It is reported that 5,000 such soldiers in small but definitely organized units crossed the railway toward the east not far from Tongshan very recently.

<sup>60</sup> Neither printed.

Under the circumstances I suggest that consideration be given to the possibility of having a naval vessel off Pei-tai-ho, at least part of the time until the middle of September.<sup>60a</sup>

Repeated to Peiping and Chungking.

CALDWELL

393.1151/6: Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, August 20, 1938—11 a. m.

[Received August 20—7 a. m.]

1137. 1. I have received a letter dated August 20 from the Japanese Consul General in which he states that the Japanese forces, "owing to urgent military necessity have decided to construct military establishments in the northern part of Point Island". The letter then sets forth that it will be necessary to remove all the small private houses on certain plots of ground, which are described by lot number, and that due compensation will be paid to the property owners concerned. A request is made that I inform all American property owners who will be affected and request them to apply to the Japanese "for compensation in due time".

2. The above property is all owned by the Whangpoo Conservancy and is located in the immediate vicinity of Shanghai University. A number of the plots of ground have been leased to American citizens and other foreigners also have leases. While it has not yet been possible to ascertain exactly how many Americans are affected by this notification, it is believed that at least 10 are concerned. Most of these Americans have erected small cottages on the property and reside there during the summer, or the year round, in normal times. The area comprises slightly over half of Point Island. I have not communicated any notice to the Americans concerned and will not do so pending the Department's instructions.

3. This action on the part of the Japanese does not come as a surprise in so far as the Consulate has felt for some time that the Japanese intended to take full control of this area. It is doubtful whether any protest will be effective but I suggest that I be authorized to inform the Japanese Consul General that the American Government does not recognize its right to expropriate the American property located on the land in question. I feel that it will be necessary, however, to notify the American leaseholders of the Japanese intention. My

<sup>60a</sup> A destroyer division and marine detachments at Chinwangtao were authorized to keep in touch with Peitaiho and to render assistance if necessary until September 2 when the destroyers were due to leave.

British colleague tells me that his attitude will probably conform to the above.

Repeated to Chungking, Peiping and Tokyo.

LOCKHART

393.115/436 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, August 20, 1938—1 p. m.

[Received August 20—12: 12 p. m.]

1140. An officer of the Japanese Consulate General confidentially informed this office today that the Japanese military and naval authorities have advised to remove, effective September 30, the restrictions on the removal of cargo from Hongkew and Yangtzepoo Districts and the entrance of Chinese into those areas.

The removal of these restrictions would be very welcome as at present it is still necessary for an American who wishes to remove his cargo at Hongkew or Yangtzepoo to have his application "chopped" in this office and by the Japanese consular, military and naval authorities, the last three offices being widely separated. On August 22 the Japanese Consulate General intends to open a branch office so that the three Japanese "chops" mentioned above may all be obtained in the same building. This will save applicants considerable time.

Repeated to Chungking and Tokyo. By mail to Peiping.

LOCKHART

393.1162 Wuhu Clinic/12 : Telegram

*The Second Secretary of Embassy in China (Smyth) to the Secretary of State*

NANKING, August 21, 1938—8 p. m.

[Received August 21—2: 20 p. m.]

153. Reference Shanghai's 1075, August 8, 3 p. m., in regard to Wuhu General Hospital Clinic. Following radio message in plain from Doctor Brown at Wuhu dated August 20 through British gunboat there has just been received:

"Japanese military sent interpreter today 4 p. m., demanding hand over my pass. No reason forthcoming. I requested letter giving reasons, interpreter replied this would not be given and if pass not handed over steps would be taken tomorrow to prevent my leaving hospital. Undoubtedly this is revenge for refusal to close hospital clinic and because I went to Shanghai in April on U. S. S. *Oahu* without pass having waited 1 week for same when *Oahu* unexpectedly arrived Wuhu. Also because we assisted nine French naval men into hospital compound when altercation arose with sentry over new an-

nounced regulation requiring navy men to have individual passes. Kindly inform State Department and Consul General requesting pressure on Japanese military [to] discontinue irritations and interference with American rights."

Dr. Brown, who visited Nanking August 18 on British gunboat, stated that interference with clinic had ceased. He mentioned an incident which had occurred on August 9 when nine sailors from a French gunboat then at Wuhu, whom he had invited to swim at the hospital pool, had been held up by Japanese sentry at hospital compound gate. Dr. Brown opened gate for them to enter but after their swim they were not permitted to leave by Japanese soldiers. The French gunboat commander subsequently obtained permission for them to leave. Dr. Brown stated that he had been assured by former Japanese military commander at Wuhu that passes were not required by foreign naval men and that he was acting on this understanding when he invited the French sailors to his compound.

Matter is being taken up with Japanese Consul General here. It is respectfully requested that representations be made at Shanghai where higher Japanese military authorities are located.

Sent to [Shanghai], repeated to Department.

SMYTH

793.94/13720 : Telegram

*The Consul at Tsingtao (Sokobin) to the Secretary of State*

TSINGTAO, August 22, 1938—5 p. m.  
[Received 6:35 p. m.]

With reference to my telegram August 15, 10 a. m.,<sup>a1</sup> in regard to the trouble in Tsinanfu, it now transpires Americans were permitted no ingress or egress from Cheeloo University for a period of 24 hours commencing morning of August 12. Following day search by Chinese and Japanese was made of the university for Chinese irregulars. One Chinese visitor was taken away and finally released on August 18th when he was handed over to American instructor who had protested his arrest.

Americans in Tsinan are anxious that American consular officer be assigned to Tsinan. There are at least 100 Americans in the Tsinan Consular District. Almost all missionaries, more of whom now here, wish to return to their stations in the interior. I respectfully beg to suggest that an officer from Tientsin be detailed to make regular visits for 4 or 5 days every month if officer for permanent assignment not available.

Sent to Peiping, Chungking, Tientsin.

SOKOBIN

<sup>a1</sup> Not printed.

893.70/38 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, August 23, 1938—4 p. m.

500. Your 1116, August 16, 4 p. m., in regard to the establishment of Central China Telecommunications Company.

1. The Department's position, as indicated in the last sentence of the first paragraph of the Department's 509, December 23, 9 p. m., to London (quoted to you in the Department's 693, December 23, 8 p. m.<sup>62</sup>), is that the responsibility for decision with respect to specific arrangements for the continuance of cable services must rest with the concerned company.

2. If the Commercial Pacific Cable Company should decide that it is not in position to meet the wishes of the Special Service Section of the Japanese forces at Shanghai, as indicated in the last paragraph of your telegram under reference, the American authorities would be prepared to give the company support by means of an appropriate approach to the Japanese authorities.

3. Please inform the American firm concerned in the above sense and continue to keep the Department informed of developments, including information in regard to the attitude of your interested colleagues.

Repeat to Chungking and Tokyo.

HULL

394.1153 Smith Company, Werner G./48 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, August 23, 1938—6 p. m.

501. Your 1117, August 16, 5 p. m., and Nanking's 151, August 17, 5 p. m., wood oil.

1. When you next have occasion to see the Japanese Consul General in regard to this matter, please say that the American authorities do not admit that the Japanese authorities have any right to requisition American property in China. So far as the American firm is concerned, the question must be one of voluntary sale.

2. With the foregoing consideration in mind, the Department desires that the American Consul at Hankow, if he has not already done so, place before Werner G. Smith Company the tentative offer of purchase made through the Japanese Consul General at Shanghai. The American Consul at Hankow should report the attitude of the company to the Department, Tokyo, Shanghai and Nanking.

Please repeat to Tokyo, Nanking and Hankow.

HULL

<sup>62</sup> Neither printed.

393.1151/7: Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, August 23, 1938—7 p. m.

502. Your 1137, August 20, 11 a. m., in regard to Japanese intention to expropriate foreign property on Point Island. The Department authorizes you to take the action suggested in paragraph 3 of your telegram under reference.

With regard to your statement that the property is owned by the Whangpoo Conservancy, the Department would be interested in learning whether or not, in view of the international character of the Conservancy Board, the concerned consular officers contemplate taking any steps to safeguard the interests of the Board.

Please repeat to Chungking, Peiping, and Tokyo.

HULL

393.1162 Wuhu Clinic/15: Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, August 24, 1938—2 p. m.

[Received August 24—7:15 a. m.]

1159. My 1147, August 22, 1 p. m.<sup>63</sup> Japanese Consul General informed me today that the Japanese Consul in Wuhu has the matter under negotiation with Doctor Brown and that he believes the matter will be amicably adjusted.

Sent to Nanking.

LOCKHART

493.11/2187: Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, [August 25, 1938.]

[Received August 25—8:15 a. m.]

518. Embassy's despatch 1543, February 7.<sup>64</sup>

1. Winter, of Tsinghua University Preservation Committee, informed the Embassy yesterday that Chinese members of the Committee living in the university grounds had the keys taken from them August 14 by Japanese military occupying the property and were forced to remove from the grounds, being told that the military would look after the property. Winter has since been informed by

<sup>63</sup> Not printed; this telegram referred to the hospital clinic case at Wuhu.

<sup>64</sup> Not printed.

university servants living on the grounds that truck loads of furniture and equipment have been removed from the university by Japanese since August 20. He stated that Yenching University would be willing to use and/or store Tsinghua equipment until Tsinghua again becomes an educational institution.

2. I subsequently called on the Japanese First Secretary, reviewed American interest in Tsinghua (Department's telegram 28, January 27, 7 p. m.<sup>65</sup>), repeated Winter's statement of facts, suggested the advisability of an investigation and, if reports are correct, [concerning?] preservation of equipment and other property, inquired what the Japanese attitude would be toward the suggestion in regard to Yenching. I said that I would be interested in knowing what the intentions of the Japanese military are in respect of the future of Tsinghua University.

3. The First Secretary said that he would immediately get in touch with the military in regard to the foregoing matters.

Repeated to Chungking and Tokyo.

SALISBURY

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393.115 China National Aviation Company/22: Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, August 25, 1938—5 p. m.

298. Your 554, August 25, 6 p. m., and 555, August 25, 9 p. m.<sup>66</sup> On the basis of Hong Kong's August 25, 10 a. m., and August 25, 1 p. m.,<sup>66</sup> please present a formal note to the Foreign Office in regard to the attack on the CNAC<sup>67</sup> plane. You may state that the attack upon the plane has aroused public feeling in this country. You should point out with reference to the attack in question that not only was the life of an American national directly imperiled but loss was also occasioned to American property interests as the Pan American Airways has a very substantial (45 percent) interest in the CNAC. Please also call special attention to the following points in the account of pilot Wood: the CNAC plane was pursued by Japanese planes which started machine-gunning; after the CNAC plane had successfully landed it was followed down by Japanese pursuit planes which continued to machine-gun it until it had sunk; and when pilot Wood started swimming across the river he was followed by one of the Japanese planes which continued to machine-gun him. You should express the emphatic objection of this Government to the jeopardizing in this way of the lives of American as well as other

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<sup>65</sup> Not printed.

<sup>66</sup> Neither printed.

<sup>67</sup> China National Aviation Company.



non-combatant occupants of unarmed civilian planes engaged in clearly recognized and established commercial services over a regularly scheduled air route.

You may in your discretion orally mention that a high official in the American Foreign Service (Mr. Peck<sup>68</sup>) had planned to take passage from Hong Kong to Hankow on the same plane on August 26.

Please telegraph the Department the time of presentation and text of your note to the Foreign Office,<sup>69</sup> adding such comment in regard to your call at the Foreign Office as you feel would be helpful.

Repeated to Chungking.

HULL

393.1163P92/141

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

No. 1638

SHANGHAI, August 25, 1938.

[Received September 24.]

SIR: I have the honor to report to the Department the efforts, thus far unsuccessful, made by this Consulate General to secure the evacuation by Japanese forces of property at Soochow, Kiangsu, belonging to the American Presbyterian Mission, North.

The Consulate General was first asked to take action in regard to the looting and occupation of this property by Mr. R. M. White, the Mission's representative in Shanghai, in a letter dated March 3, 1938.<sup>70</sup> On March 14 a protest was made to the Japanese Consul General at Shanghai requesting its immediate evacuation and return to the Mission. A reply, which dealt with this and several similar cases, was received on May 2. In regard to the property in question the Japanese Consul General said:

"There is no truth in the allegation that Japanese troops have occupied the churches of the Presbyterian Mission and that they have destroyed and/or looted the property in the church buildings. On the contrary the circumstantial evidence shows conclusively that the church buildings have been plundered by Chinese troops. Nobody is using these buildings at present. Although two houses on the compound of the Mission's hospital were seen burning down by fire some time ago, it is needless to state that the Japanese side had nothing whatever to do with the incident."

It is interesting to compare these statements with the eyewitness accounts of the American missionaries, who were in Soochow on November 24 after the Japanese occupation, and who actually saw Japanese

<sup>68</sup> Willys R. Peck, Counselor of Embassy in China.

<sup>69</sup> For Ambassador Grew's note of August 26, see press release issued by the Department, August 26, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 619.

<sup>70</sup> This letter and other communications enclosed with despatch not printed.

soldiers looting the premises and burning the two buildings mentioned (see this office's despatch No. 1203, February 5, 1938, enclosure 4<sup>n</sup>).

Meanwhile further information had been received from the Mission concerning the occupation and continuing destruction of the property. A copy of this letter, dated April 19, is enclosed. Another protest was addressed to the Japanese Consul General on April 22 and he answered to this in a letter dated May 5, again dealing with a number of similar cases, in which he stated:

“As regards the buildings of the American Presbyterian Mission (North), of which Mr. Gauss informed me on April 22nd, I am given to understand that the Japanese troops have been taking as much care as possible for the preservation of the property and the allegation that they are actively engaged in tearing out and removing all woodwork, including floors, stairways, doors and windows in those buildings, is not based on the actual conditions.”

It will be noticed that there was a slight change from the attitude of his first letter in that the occupation by Japanese troops was now, by inference, admitted. However, both letters completely ignored the question of the return of the property to the control of the Mission.

There were no American missionaries in Soochow and nothing further was done in the matter until after their return to that city in July. On the basis of information that the occupation of the property was continuing, a letter was addressed to the Japanese Consul General on July 29. Shortly afterwards the Mission complained of the difficulties met with by Dr. O. C. Crawford in his efforts to interview the Japanese military officers at Soochow in charge of the property and their refusal to permit him to enter the premises or to remove any articles therefrom. Another communication was therefore sent to the Japanese Consul General on August 11.

On August 18 the Mission stated that Dr. Crawford had at last been permitted to inspect the premises, that he had found most of the buildings still occupied by Japanese troops, and that he was able to get definite confirmation of earlier reports of damage and destruction caused by the Japanese forces. The Mission requested that representations be continued, that it be given permission to use the buildings not actually occupied by the Japanese, and that it be notified prior to the Japanese evacuation of the property so that its representatives could be present to inspect the buildings and take possession of them. These matters were taken up with the Japanese Consul General in a letter dated August 25.

Today, after nine months of occupancy, this Consulate General has not been able to obtain from the Japanese any statement of their in-

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<sup>n</sup> Neither printed.

tentions with regard to this American property, nor any promise whether or when they will evacuate and return it to its owners.

Despite the general assurances of the Japanese Government that it will respect American interests in China and desires such questions to be settled on the spot, local attempts to deal with this case have apparently made no progress. Early communications from this office to the Japanese Consul General received unsatisfactory replies while recent letters have remained unanswered. The Mission has also tried to settle the case by direct negotiation with the Japanese military authorities at Shanghai but has received no definite promise regarding evacuation and desires that this Consulate General continue to do all in its power. It is felt that further representations to the Japanese Consul General at Shanghai will serve no good purpose and the instructions of the Department are respectfully requested.

Respectfully yours,

FRANK P. LOCKHART

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393.115 China National Aviation Company/35: Telegram

*The Consul General at Hong Kong (Southard) to the Secretary of State*

HONG KONG, August 26, 1938—3 p. m.

[Received August 27—3 a. m.]

China National Aviation Corporation has informed this office of the indefinite suspension of its airplane services from Hong Kong. This leaves us without direct air service to Chungking. Eurasia Aviation Company planes are still carrying their service from Hong Kong to Hankow but there is no assurance of the continuation of this service or of air connection from Hankow to Chungking. There is fear in local circles that it may suspend all civil aviation service from Hong Kong to points in China unless the Japanese will guarantee freedom from attack. My Japanese colleague says that Eurasia Aviation Company and British Imperial Airways have registered exact schedules with the Japanese authorities and need not fear molestation. He has suggested that I invite Pan American Airways to do the same on behalf of China National Aviation Corporation but I am doing nothing of the kind pending instructions. American pilot Wood says that he would now on account of professional obligation of an aircraft pilot for the safety of his passengers definitely hesitate before piloting another commercial plane into Chinese territory.

Repeated to Tokyo.

SOUTHARD

393.115 China National Aviation Company/23, 24: Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, August 26, 1938—7 p. m.

[Received August 26—9:31 a. m.]

559. Department's 298, August 25, 5 p. m., was received and decoded at 3:30 p. m. and an appointment with the Foreign Minister was immediately requested but as he could not receive me today I called on the Vice Minister at 5:30 and read to him and left with him the following note addressed to the Minister for Foreign Affairs:

[Here follows text of note, which is contained in press release issued by the Department, August 26, 1938, *Foreign Relations, Japan, 1931-1941*, volume I, page 619.]

The Vice Minister, after listening to my representations, read to me the provisional report received by the Foreign Office from the naval authorities. This report states that in the absence of any established law governing aviation the Japanese Air Forces since the commencement of the China incident have been operated generally in accord with the draft convention submitted to the International Conference at The Hague in 1923, articles 33 and 34 of the draft convention<sup>72</sup> explicitly providing, the report states, that commercial planes entering a zone of hostilities are liable to attack. The report points out the difficulty of distinguishing civil from military planes which may be reconnoitering in the guise of passenger planes and which therefore cannot claim immunity on that ground.

With specific regard to the incident under reference, the Japanese naval report states that on account of the "suspicious behavior" of the Chinese plane the Japanese planes pursued. They hold the Chinese plane responsible for the incident and allege that no distinguishing marks were visible. The report says that the Canton-Hankow Railway is being attacked daily and that this fact alone should have caused the Chinese plane to know that it is flying in a zone of military operations. The report implies that the commercial plane was not forced down but landed in the river and that the Japanese pursuit plane "left without firing."

The Vice Minister acknowledged the wide discrepancy between the Japanese naval report and the report of pilot Wood and said that further investigation would be made and a reply to our note delivered as soon as possible. I replied that there seemed to me to be no doubt whatsoever but that the concrete evidence would disprove the Japanese naval report. I emphasized several times in our talk the

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<sup>72</sup> Part II, Rules of Aerial Warfare, *Foreign Relations, 1923*, vol. 1, pp. 73, 80.

unfortunate effect of the incident on American public opinion and urged a prompt reply.

Repeated to Hong Kong for Chungking.

GREW

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893.1163AM33/95 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, August 26, 1938—8 p. m.  
[Received August 26—9:16 a. m.]

560. Department's 297, August 25, 4 p. m.,<sup>73</sup> bombing of Southern Baptist Mission at Pingtu. In conference today with the Vice Minister for Foreign Affairs I drew his attention to our note No. 975 of June 28,<sup>74</sup> which has not been answered and asked for an early reply. Horinouchi promised immediate investigation.

GREW

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893.7961/34 : Telegram

*The Chargé in the United Kingdom (Johnson) to the Secretary of State*

LONDON, August 27, 1938—6 p. m.  
[Received August 27—2:25 p. m.]

830. According to Foreign Office official, Ambassador Craigie was instructed last night to consult with Ambassador Grew and the French Ambassador as to the advisability of approaching the Japanese Government for a definition of its intentions in regard to foreign civilian aircraft in China. If the Japanese Government attempts to stand by a statement alleged to have been made by the Government spokesman at Shanghai on Thursday, regarding the zone of military operations as affecting the flight of civilian aircraft over China, the British apparently intend to inform the Japanese that they will not admit any such arbitrary extension of the zone of military operations to cover the entire flying radius of foreign aircraft.

The American protest against the attack on August 24 on a commercial plane by the Japanese was widely featured in today's papers.

JOHNSON

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<sup>73</sup> Not printed.

<sup>74</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 604.

393.1115/3558 : Telegram

*The Consul at Tsingtao (Sokobin) to the Secretary of State*

TSINGTAO, August 29, 1938—3 p. m.

[Received August 29—7 a. m.]

With reference to Peiping's 503 of August 18, 3 p. m., regarding return of missionaries to interior, the Japanese Consulate General has now given permission to Americans to travel on Tsingtao-Tsinanfu Railway. Through cooperation of Japanese Consul General the railway will give special facilities for transportation. About 30 Americans will travel to Tsinanfu and to points south on the Tientsin-Pukow Railway. They propose to leave Thursday or Friday of this week.

Sent to Peiping, Chungking, Tientsin. By mail to Tokyo.

SOKOBIN

893.7961/35 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, August 29, 1938—6 p. m.

[Received August 29—8 : 30 a. m.]

563. 1. My British colleague has been instructed to inquire whether the Japanese Government authorized a statement given to the press on August 26 by the Japanese official spokesman at Shanghai to the effect that noncombatant aircraft fly over the area of hostilities at their own risk and that the Japanese would accept no responsibility for any damage that might arise. Craigie's instructions are that, if the spokesman made the statement with the authority of the Japanese Government, Craigie should make it clear that the British Government does not recognize the right of the Japanese Government to interfere [with?], much less attack, foreign aircraft operating in China with the consent of the Chinese Government.

2. Craigie suggests that I may wish to take parallel action. Apart from the American interest in the China National Aviation Corporation, the operation of Pan-American Airways service from Manila to South China would seem to make desirable an approach by me to the Foreign Office similar to that which Craigie has been directed to make. Please instruct.

Repeated to Hong Kong for Johnson.

GREW

393.1115/3558 : Telegram

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

WASHINGTON, August 29, 1938—6 p. m.

240. Tsingtao's August 29, 3 p. m., return of missionaries to interior. In absence of comment by Consul at Tsingtao, Department assumes that he perceives no objection to the return of the Americans in question to their stations. If you concur, the Department suggests that you so inform Sokobin and at the same time say that the Department assumes that he will endeavor to discourage the return to the interior at this time of American women, who are not engaged in specific mission work, and children.

Repeat to Peiping.

HULL

393.11/2110 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*PEIPING, August 30, 1938—noon.  
[Received August 30—7:30 a. m.]

Embassy's August 26, 4 p. m.<sup>75</sup> Following letter dated August 28 has been received from the Commandant of the American Embassy Guard.

"With reference to my letter of 26 August on the conditions at Pei-tai-ho, I have the honor to inform you that I am informed that [H. M. S.] *Cumberland* will be at Chinwangtao during the period 4 to 12 September and H. M. S. *Adventure* probably will be at that port during the remainder of the month. In view of this information I am of the opinion that all reasonable protection for the residents of Pei-tai-ho will be afforded by these British naval vessels if means are provided to keep the respective commanding officers advised of the threatening conditions which may develop at that place."

Sent to Tientsin, repeated to Ambassador and Shanghai.

SALISBURY

893.51 Con. Ob. American Locomotive Corp./11 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*PEIPING, August 30, 1938—3 p. m.  
[Received August 30—7:45 a. m.]

530. 1. Raider, attorney in fact of the American Locomotive Sales Corporation and president of the Chinese Engineering and Develop-

<sup>75</sup> Not printed; cf. telegram No. 158, August 19, noon, from the Consul General at Tientsin, p. 445.

ment Company, is in Peiping attempting without success to interview railway officials regarding claims of those two companies against the Pingsui<sup>76</sup> Line. Embassy's attempts to further the matter have been consistently unsuccessful and letters to the Japanese Embassy have been acknowledged only orally.

2. According to an official of the South Manchuria Railway Company, that company is now temporarily operating the Pingsui and other North China rail lines but is not receiving revenue therefrom and will relinquish its control when a North China transportation company is established as a subsidiary of the projected North China Development Company. The latter will reputedly come into being October 31 and shares in the subsidiary will subsequently be subscribed by the North China Development Company, the South Manchuria Railway Company and the Provisional Government. It seems to us that there is only a remote possibility, if any, of negotiating a settlement of the claim with that organization when "and if" it came into being. We accordingly recommend that the matter be taken up in Tokyo. Please instruct.

3. American claims against the Pingsui Line include also claims of Andersen, Meyer [& Co.], Standard Vacuum Oil, United States Steel.

Sent to Chungking, by mail to Tokyo.

SALISBURY

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393.115 China National Aviation Company/42 : Telegram

*The Secretary of State to the Consul General at Hong Kong  
(Southard)*

WASHINGTON, August 30, 1938—7 p. m.

Your August 26, 3 p. m. During the course of the present conflict, this Government has followed the procedure of giving notification to both the Chinese and Japanese Governments of the movements of American commercial vessels and aircraft in the area of hostilities. These notifications have been given on the basis of courtesy and practical expediency without waiving any legal right. Accordingly the Department perceives no objection to your communicating to the Pan American Airways the statement and the suggestion of your Japanese colleague. You should make it clear, however, that any action which the Company acting in behalf of the China National Aviation Corporation feels prompted to take must be on its own responsibility.

HULL

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<sup>76</sup> Peiping-Suiyuan.



393.1115/3570 : Telegram

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

HANKOW, August 31, 1938—10 a. m.  
[Received August 31—8:20 a. m.]

529. Department's 240, August 29, 7 [6] p. m. I have repeated this message to Tsingtao for his guidance adding the statement that in view of increased activity on the part of guerrillas in Shantung it appears to the Embassy unwise to encourage return of Americans to interior points at this time and I suggest that you warn Americans that they return at their own risk. Peiping informed.

JOHNSON

393.115 China National Aviation Company/45 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, August 31, 1938—9 p. m.  
[Received August 31—4:42 p. m.]

568. Our 559, August 26, 7 p. m. China National Aviation Corporation. There has just been received by messenger from the Foreign Office a note dated today in reply to the note which I handed to the Vice-Minister for Foreign Affairs on August 26. The note and the report thereto annexed read in translation supplied by the Foreign Office as follows:

"Monsieur l'Ambassadeur, I have the honor to acknowledge the receipt of Your Excellency's note of the 26th instant, stating that Your Excellency protests, under instructions and on behalf of the American Government, against the unwarranted attack on August 24th near Macao by Japanese airplanes upon a commercial airplane of the China National Aviation Corporation, resulting in the total destruction of the said Chinese plane, the loss of the lives of a number of its passengers, and the endangering of the life of its American pilot.

The incident was caused by the China National Aviation Corporation plane which within the Japanese field of operation acted in such a manner as to invite suspicions of its being a Chinese military craft, as stated in the following report, and which was consequently pursued and attacked by our naval planes in the belief that it was an enemy plane. While it is to be regretted that this resulted in endangering the life of an American citizen who happened to be the pilot of the plane, as well as in the death and wounding of non-combatant passengers and crew, the Japanese Government hold the view that the action of their naval planes is not unwarranted in the light of the above-mentioned circumstance. It is also their opinion that the company to which the aircraft in question belonged, being a Chinese juridical person, the incident is not one which involves Japan directly with any third power. However, I desire to add that, because of the wide discrepancies between the pilot's accounts of the incident as given in

Your Excellency's note and the reports in the hands of the Japanese Government, further investigations were instituted, and that the following new report has been received, which substantially confirms what our Vice-Minister Horinouchi on the occasion of Your Excellency's visit on the 26th stated on the basis of the information that was then at its command.

I avail myself, et cetera. (Signed) Kazushige Ugaki, Minister for Foreign Affairs. His Excellency Joseph Clark Grew, Ambassador Extraordinary and Minister Plenipotentiary of the United States."

#### Annex to Note.

"Report: On the morning of the 24th instant, 5 Japanese naval airplanes proceeding in the direction of the Canton-Hankow Railway, unexpectedly sighted over Chiautao Island at 9:30 o'clock A. M. a large type land plane bearing no distinguishable mark some 2,000 metres away to the north which was flying toward the west at an altitude of about 2,000 metres, and attempted to approach the plane for the purpose of identification.

The large plane in question, as soon as it discovered our naval planes approaching it, abruptly turned in the northwesterly direction and took to flight at full speed, hiding itself among the clouds. The approaching movement of the naval planes was made for the purpose of ascertaining the nature of the land plane. However, seeing the plane flee from them, our air squadron concluded in the light of their past experiences that it was an enemy plane which came either to attack our warships or to make reconnaissance, and accordingly took an offensive position by placing 2 planes above and 3 planes below the clouds.

Soon after, our planes lying in wait below the clouds, discovering the supposedly enemy plane, pursued and attacked it. The plane continued to flee by taking advantage of the scattered clouds, but hard pressed by our squadron, finally landed in the river on the south side of a delta which lies 16 kilometres to the west of Hungmenchikow. From the time they first sighted the plane until the moment it landed, our planes were situated directly behind it for the most time, so that it was difficult to ascertain its character, and our planes were throughout in the belief that the land plane was an enemy craft. As soon as the latter landed, however, our plane descended in order to inspect the spot. When they reached a point above the land plane where they could better distinguish the type of the plane, a doubt arose as to its exact type. Our planes therefore immediately stopped their attack.

As stated above, there was some time, though very brief, after the landing of the said plane until a doubt came to be entertained as to its nature, and during that brief period there were some among our crafts which continued the attack, but there was absolutely no more shooting thereafter.

Our naval planes then dived to 20 metres above the water and inspected the landed plane, whereupon the plane in question was found to be an all-metal Douglas passenger plane, with no painted mark except a Chinese character signifying 'mail' marked on the upper face of its right wing and on the right side of its body. Our planes left without firing.

Our planes saw on the landed plane the pilot and also a few passengers near the entrance of the passenger compartment in the rear, but they thought that as the spot was close to the bank of the river these men would be able to swim to the shore."

Repeated to Hong Kong for Chungking.

GREW

393.1115/3585 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, September 2, 1938—noon.  
[Received September 2—8:30 a. m.]

537. Our 529, August 30, 2 p. m."

1. Tsingtao's despatch 31 [231], August 84 [24] states *inter alia*:

"On January 1, 1937, there were listed 206 American adults in the Tsinan Consular District; on March 15, 1938, there were listed 130 adults, and it is probable that with the number who have since returned to their stations and the number expected to return this fall, the total number of Americans actually in residence in the Tsinan Consular District will be not less than 80 percent of the total listed in 1937 before the closing of the Consulate at Tsinan, and perhaps will be just as great."

The despatch mentions several requests from Americans for consular protection at Tsinanfu, draws a similarity between the problem of returning Americans to Tsinanfu and the problem at Nanking and the lower Yangtze, and states that there are now 4,000 Japanese nationals including 1900 women and children residing at Tsinanfu. (A Japanese Domei despatch from Tsinanfu September 2 states Japanese residents there exceed 6400.)

2. The Embassy perceives considerable difference between the Tsinanfu and Nanking problems because of the danger to travel and generally disturbed conditions in Shantung but [apparent omission] that would be on the assumption that the Department may wish to have Sokobin's viewpoint while the matter is under consideration.

Repeated to Embassy [at] Chungking, American Consul, Tsingtao.  
SALISBURY

" Not printed.

893.51 Con. Ob. American Locomotive Corp./12 : Telegram

*The Secretary of State to the First Secretary of Embassy in China  
(Salisbury), at Peiping*

WASHINGTON, September 2, 1938—6 p. m.

234. Please transmit the following telegram to Ambassador at Chungking and repeat to Tokyo:

"Peiping's 530, August 30, 3 p. m., in regard to claims of the American Locomotive Sales Corporation and the Chinese Engineering and Development Company against the Pingsui Railway.

Department approves the suggestion that these claims be taken up with the Japanese Foreign Office and, to that end, suggests that you instruct Peiping to prepare and send by mail to the Embassy in Tokyo all information necessary to enable the Embassy there to take appropriate action."<sup>78</sup>

HULL

393.1115/3589 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, September 3, 1938—1 p. m.

[Received 8:35 p. m.]

1186. During August this office at the request of American citizens and organizations applied to the Japanese authorities for passes to restricted areas for 101 persons, of which 46 were received. Also during August this office "chopped" 61 applications of American citizens or organizations for permits from the Japanese authorities to remove cargo and other property from Hongkew and Yangtzepoo. Many of these applications were for August permits providing for the organization concerned to remove its goods during the month in accordance with the requirements of its business. It is believed that practically all of these applications were granted as no notice of any rejection has come to the attention of this Consulate General.

The above figures cover original applications. They do not include reapplications or follow-up work.

The difficulty of obtaining personal passes for the interior, especially sections of this consular district north of the Tsung River, has increased at least temporarily. A Japanese consular official stated that as the Japanese military authorities have abolished or decreased many of their garrisons in the interior in order to utilize as many

<sup>78</sup> The Embassy in Tokyo sent three notes to the Japanese Foreign Office, dated November 7, setting forth details of the claims against the Peiping-Suiyuan Railway made respectively by the American Locomotive Sales Corporation, the Chinese Engineering and Development Company, Inc., and the Robert W. Hunt Company, Engineers (893.51 Con-Ob. American Locomotive Co./18, 19, 20). See also telegram No. 313, December 27, 5 p. m., to the Chargé in China, p. 583.

as possible of the available troops for the drive on Hankow, Chinese guerrillas have become very active in many parts of the interior and consequently the Japanese authorities consider such areas dangerous and are not issuing passes for travel in them.

Repeated to Peiping and Nanking, code text by mail to Tokyo.

LOCKHART

893.7961/36 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, September 3, 1938—3 p. m.

[Received September 3—9 a. m.]

575. Department's 302, August 30, 11 a. m.,<sup>9</sup> reference flights in China of third party aircraft.

1. On September 1 we made inquiry of the Foreign Office with regard to the reported statement on August 26 by the Japanese spokesman at Shanghai. We were informed that following a similar inquiry by the British Embassy the Japanese Government authorities at Shanghai had been instructed to make a report to Tokyo and that a reply would be made to us upon receipt of that report. The Foreign Office has now sent to us a copy of the statement issued yesterday afternoon by the Foreign Office Press Bureau and has requested that it be accepted as a reply to our inquiry of September 1. The statement follows:

"The recent incident involving a China National Aviation Corporation plane occurred on account of the fact that the plane abruptly changed its course and took to flight as soon as it found the presence of the Japanese naval aircrafts which could not but believe that that plane was an enemy plane and pursued and attacked it. However, in view of the recent incident and the necessity of making our attitude clear with regard to aircrafts of third powers and Chinese non-military planes in the zone of operation of Japanese war planes, we wish to make the following statement.

(1) The Japanese forces have no intention whatever of attacking any Chinese non-military plane as such, but they are not in a position to guarantee its safety when it comes into the zone of operations of the Japanese Air Forces.

We believe this is quite proper because of the reasons that,

(1) it is extremely difficult to distinguish the different types of aircrafts in the air,

(2) even non-military planes are capable of serving mail, to [of?] reconnoitring and other military purposes,

(3) Chinese planes have in the past frequently come to attack the Japanese forces and reconnoitre over our positions. Moreover, they are not marked according to a fixed standard.

<sup>9</sup> Not printed; it authorized the Ambassador to make a parallel approach with his British colleague to the Japanese Foreign Office (893.7961/35).

(2) As to aircrafts of third powers, the Japanese forces will pay full attention for their safety so long as those aircrafts comply with the Japanese request particularly with regard to the course of their flight, et cetera.

The British Imperial Airways, to which Japan made a request in February of this year to follow a fixed course in leaving and arriving at Hong Kong, complied with our request, as the result of which there has occurred not a single untoward incident."

2. The Foreign Office forwarded to us at the same time a copy of a memorandum from the Navy Department and requested that the contents be communicated to Pan American Airways. We have made no reply to this request. The memorandum in translation follows:

"(1) It is hoped that operation of Pan American Airways airplanes to Macao be suspended.

(2) If, however, such planes are required to put in at Macao, it is desired that they conform to the following items:

(a) When proceeding to or leaving Macao and while in the area north of a line drawn east and west through Mabichow Light to take a true north and south course;

(b) To take the shortest course practicable when flying between Macao and Hong Kong;

(c) Altitude while on the courses above mentioned to be less than 500 metres."

3. In view of the foregoing I shall concert with the British and French Ambassadors and early next week make representations to the Japanese Government along the lines contemplated.

Repeated to Hong Kong for Chungking.

GREW

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393.1115/3592 : Telegram

*The Second Secretary of Embassy in China (Smyth) to the Secretary of State*

NANKING, September 6, 1938—3 p. m.

[Received September 6—1:25 p. m.]

157. Penultimate paragraph of Shanghai's 1186, September 3, 1 p. m. The Japanese authorities apparently wish to convey the impression that the danger to Americans in the areas in question arises from guerrillas, but it is probable that the real reason for their refusal to issue passes to such areas is their desire to be free to follow their usual practice of air bombing towns or cities believed to harbor guerrillas. Several cases of such bombings have recently been reported in the vicinity of Nanking, particularly in the areas north of the Yangtze where one severe bombing occurred in a town 12 miles north of Pukow. These bombings often result in heavy civilian casualties but only little

loss amongst guerrillas who usually have departed before the planes arrive. It is understood that the reported large increase in the population of Nanking last month was due in part to the influx of Chinese from neighboring areas where further bombings were feared.

Sent to Shanghai and Peiping.

SMYTH

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393.1115/3598 : Telegram

*The Consul at Tsingtao (Sokobin) to the Secretary of State*

TSINGTAO, September 7, 1938—3 p. m.

[Received September 8—7:30 a. m.]

Referring to Embassy's 537, September 3 [2], noon, with respect to the question of danger to travel, Chinese Postal Commissioner here has informed Consulate that during entire month of August train service between Tsingtao and Tsinanfu was disrupted on two occasions only, once for approximately 2 days, the other delay consuming a few hours.

Press report indicates regular train service between Tsinanfu and Hsuchowfu resumed.

Sent to Peiping, Chungking. By mail to Tokyo.

SOKOBIN

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394.1153 Smith Company, Werner G./56 : Telegram

*The Second Secretary of Embassy in China (Smyth) to the Secretary of State*

NANKING, September 8, 1938—9 p. m.

[Received 9:45 p. m.]

158. Reference paragraph 3 of Tokyo's 454, July 11, 5 p. m., Nanking's 134, July 12, 3 p. m., Department's 435, July 12, 7 p. m. to Shanghai and Shanghai's 988, July 13, 9 p. m.,<sup>80</sup> commercial freight carried by Japanese merchant vessels on the Yangtze. The representative of an American oil firm here has obtained for this office information showing that during the past 10 days there have been brought to Nanking from Shanghai by 3 Japanese merchant vessels several shipments of commercial freight, including 4200 tins of kerosene, 1300 tins of gasoline and 1600 cases of candles. I am mailing to Shanghai a list giving names of steamers, dates, number of cases and brands of goods. I am also reliably informed that some 2,000 cases of cigarettes were brought by [to?] China during August by Japanese merchant

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<sup>80</sup> Telegrams Nos. 435 and 988 not printed.

vessels. It is understood that nearly all the above-mentioned goods were purchased by Japanese firms in Shanghai for shipment to and sale by Japanese merchants here.

British representatives of the two principal British river shipping firms, who have been investigating conditions here and at Wuhu during recent weeks have now forwarded reports to their head offices in Shanghai. One of them informs me that he has compiled itemized lists of commercial shipments carried on trips of Japanese merchant vessels between Shanghai, Nanking and Wuhu. He states that copies of his reports and lists have been furnished the British Consul General at Shanghai which will doubtless be willing to make the information available to the American Consulate General there.

The British representative mentioned above believes that on trips up river from Shanghai by Japanese merchant vessels to Nanking the Japanese military have first call on space, any remaining being given to Japanese firms for commercial freight. He states, however, that on down river trips practically all cargo carried is commercial. In particular to British he reports that these vessels load up at Wuhu with rice for Shanghai; as rice now sells at Wuhu for between \$3 and \$4 local currency per unit of 200 pounds and at Shanghai for around \$16, the profit made by Japanese firms engaged in the rice business is considerable.

It seems clear from the evidence which has been obtained by American and British business men here that, despite official denial, Japanese merchant vessels are in fact carrying commercial freight for Japanese firms. This being the case, there seem to be no reasonable grounds for Japanese objections to the operation of non-Japanese foreign merchant vessels, including the Standard Oil ships, between Shanghai and Wuhu at least. The Japanese pretext that navigation is dangerous due to floating mines, et cetera, seems to be specious as this office has heard of no Japanese merchant vessel being sunk or damaged on this stretch of the river by such means during recent months.

Until the present unwarranted Japanese interference with American and other foreign trade along the river ceases, and in particular until there is freedom of commerce and navigation on the river, at least as far as Wuhu, American business and other interests will continue to suffer. As an example of losses now being sustained by American business in this area, I am informed by the representative of an American oil company here that under normal conditions there would be sold by the foreign oil companies during the coming fall and winter season in the Nanking, Wuhu and Chinking area a monthly aver-



age of approximately 200,000 units of kerosene, valued at about \$3,000,000 local currency. In addition, there would be an average monthly business of about \$1,000,000 local currency in other petroleum products, such as gasoline, candles, lubricating and diesel engine oil. It is understood that much more than a majority of this business would be handled by American firms. However, under present conditions they can do no business here and the only kerosene coming to Nanking now is a small amount, stated to be not more than 6,000 cases monthly, sold by foreign oil companies in Shanghai to Japanese firms for shipment here.

The refusal of the Japanese to permit non-Japanese foreign commercial navigation on the river and their refusal to carry non-Japanese commercial freight on their own commercial vessels [is?] resulting in constant difficulties to Americans engaged in legitimate business and other activities in this area. For instance, if it were not for the courtesy of the commanding officers of the U. S. S. *Oahu* and the British gunboats, much needed medical supplies for American missionary hospitals here and at Wuhu could not be obtained. Further, this office has been endeavoring for months, without success, to obtain space from the Japanese for the shipment to Shanghai of motor cars belonging to the Ambassador, Counselor Peck and Captain Roberts,<sup>81</sup> respectively, as well as personal effects of Paxton<sup>82</sup> and Roberts. It would seem that, if for no other reason than international courtesy, the Japanese could find space for the effects belonging to members of the Embassy.

It seems evident that, unless foreign protests are effective, the Japanese intend to place every obstacle in the way of non-Japanese foreign trade along the Yangtze and to retain trade for themselves. It also seems probable that, unless protests are effective, the Japanese will continue to refuse to permit non-Japanese foreign commercial navigation on the Yangtze and, possibly, will endeavor eventually to establish a Japanese shipping monopoly on the river.

It is respectfully recommended that further representations be made to the appropriate authorities at Shanghai and Tokyo, in an effort to bring to an end the present unwarranted interference with legitimate activities of American citizens and organizations in this area.

Sent to Shanghai. Shanghai please repeat to Tokyo.

SMYTH

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<sup>81</sup> Capt. Frank N. Roberts, former Assistant Military Attaché in China.

<sup>82</sup> J. Hall Paxton, Consul at Shanghai.

893.76/105

*The Chinese Ministry for Foreign Affairs to the American Embassy  
in China*<sup>83</sup>

[Translation]

[CHUNGKING,] September 10, 1938.

The Ministry of Foreign Affairs presents its compliments to the American Embassy and has the honor to acknowledge the receipt of the Embassy's third person note of May 25, 1938,<sup>84</sup> in respect of the exchange of messages by the radio station at Manila of the Mackay Radio and Telegraph Company and the radio station at San Francisco of the R. C. A. Communications, Inc., both American companies, with the radio station illegally established by the Japanese at Shanghai. The Embassy stated that the matter had been referred to the American Consul General at Shanghai.

The Ministry of Foreign Affairs has now received a telegram from the Ministry of Communications reading as follows:

"The companies concerned have not yet discontinued the exchange of messages. It is observed that the arbitrary establishment by the Japanese of a radio station at Shanghai, and their presumptuous use of the call letters formerly employed by the International Radio Station of this Ministry actually constitute a violation of the sovereign rights of China. The relations between the United States and China have always been intimate and the United States has, in the past, respected China's sovereignty. Furthermore, the exchange of messages by American telegraph companies with others in foreign countries should, as has been the practice, have the approval of the Federal Communications Commission. The exchange of messages by the said companies with the radio station illegally established at Shanghai is, it is presumed, not supported or approved by the American Government. Aside from requesting the Federal Communications Commission of the United States by telegraph to investigate the matter and to take appropriate action, it is requested that negotiations be conducted with the American Government to stop such activity."

The Ministry has the honor to indite this third person note for the Embassy's information, and to request that the Embassy inform the American Government of the exchange of messages by the radio station of the Mackay Radio and Telegraph Company at Manila and the radio station of the R. C. A. Communications, Inc., at San Francisco with the radio station illegally established by the Japanese at Shanghai and to take strict measures to stop such activity, in order

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<sup>83</sup> Copy transmitted to the Department by the Ambassador in China in his despatch No. 75, September 17; received November 7.

<sup>84</sup> Not printed.

to uphold sovereign rights and to maintain friendly relations. The Ministry also requests the honor of a reply.

SEAL OF THE MINISTRY OF FOREIGN  
AFFAIRS OF THE REPUBLIC OF CHINA

893.70/40 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, September 13, 1938—5 p. m.

[Received September 14—6 a. m.]

1218. My despatches numbers 1412, May 6; 1432, May 16; and 1642, September 1<sup>85</sup> and my telegram 1074, August 6, 6 p. m. and Department's 500, August 23, 4 p. m., regarding International Cable Office at Shanghai.

1. The pertinent part of Department's 500, August 23, 4 p. m. was communicated to Commercial Pacific Cable Company. The Company now informs me that further demands have been received by it and other concerned companies from the Secretary of the Special Service Section of the Japanese, H. Higashi. These demands briefly are as follows:

(1) Japanese objections are recorded to the debiting of Marconi Loan installments on the balance sheets for December 1937, and January and February 1938, the latter being the last balance sheet submitted,

(2) the balances already deposited in the suspense accounts with the Yokohama Specie Bank to be transferred to a deposit account in the same bank in the name of Mr. H. Higashi,

(3) future balances due, as for March this year and subsequent months, to be paid to the same account,

(4) any future deductions from monthly balance sheets must be agreed to beforehand by the Japanese military authorities,

(5) further particulars to be supplied regarding debit items on balance sheets of December 1937 and January 1938 in respect of monies due to Cables and Wireless Limited for April-October 1937.

2. The companies' position is that the debiting of the Marconi Loan installments on the balance sheets for December, January and February was carried out at the request of the Chinese Telegraph Administration after the divisional manager of the Eastern Extension Telegraph Company had discussed the matter with the Japanese consular officials and gained the impression that they would have no objection. However, objection was later interposed by the companies feeling it is extremely unfair to them to demand that this transaction be reopened.

<sup>85</sup> None printed.

The cable companies take the position that they cannot comply with the Japanese request and the Pacific Company inquires whether it can rely upon the support of this Consulate General in upholding its stand.

3. As regards item 2, the companies feel that any compliance with this request would mean their losing all hold on the funds hitherto held in suspense, thus further embarrassing their position vis-à-vis the Chinese Telegraph Administration, who claim ownership of the monies impounded. The companies consider that the monies should remain in the present special suspended account until the situation [is] finally cleared up. The companies inquire whether they shall endeavor to maintain this stand and if so what support the various diplomatic and consular officers could extend them. As regards item 3, the companies' stand on this request will be governed by the answer to item 2. As regards items 4 and 5, the companies perceive no objection to compliance.

4. I have consulted my British and Danish colleagues today and they both state that they are awaiting replies from respective governments in connection with developments described in my 1116, August 16, 4 p. m. They do not feel position to express any views on the new demands set forth herein until they have received some indication from their governments of their attitude on the previous demands. The Danish Minister also desires to await the return to Shanghai from Japan of Great Northern representative, Poulsen.

5. I recommend that I be authorized to proceed in the new situation in conformity with paragraphs 1 and 2 of Department's 500, August 23, 4 p. m.

Repeated to Chungking, by mail to Peiping and Tokyo.

LOCKHART

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393.115 Carolina Leaf Tobacco Company/9: Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, September 14, 1938—10 a. m.

[Received September 14—7:30 a. m.]

1219. My 1149, August 22, 3 p. m.,<sup>86</sup> and 272 [872], June 20, 6 p. m., and Department's 475, August 6, 4 p. m.,<sup>87</sup> in regard to Carolina Leaf Tobacco Company. I have just received a letter from the Acting Japanese Consul General stating that the Japanese authorities are firmly convinced, after careful consideration, that the decision to seize the tobacco is "right and therefore final".

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<sup>86</sup> Not printed.

<sup>87</sup> Telegram No. 475 not printed.

The letter continues, after reference to previous correspondence, "All the hogsheads of tobacco scrutinized in the godown of the Joint Savings Society were used by the Chinese troops in place of sand bags to cover themselves from attack. In view of this and of the fact that the godown in question had been occupied by the Chinese troops since August, 1937, it is established that the said hogsheads of tobacco had been appropriated by the Chinese troops before they were put to military use. Upon appropriation by the enemy the goods ceased to be neutral private property and became public property of the enemy, and consequently subject to confiscation under the rules of war.

In these circumstances I regret that the Japanese authorities are not in a position either to return the goods or accept any claim for damages."

This seems to be significant as voicing a specific claim to the operation of the rules of war without a declaration of war.

The Department's instructions are requested.

Repeated to Chungking, Peiping and Tokyo.

LOCKHART

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793.94/13882: Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, September 14, 1938—1 p. m.

[Received 8:40 p. m.]

A building of the Presbyterian Mission at Hoihow, Hainan Island, was bombed by a Japanese plane on September 9th. Details have been requested so that a claim for damages may be presented. On same day Standard Vacuum Oil Company's plant at Hoihow was reported bombed and machine gunned. American flags were prominently displayed. The Chinese Government has not yet made a report to this office and Canton office of company has no information concerning attack.

The Kwangtung Provincial Government has circularized all counties in that province directing the distribution of food sufficient for 3 months' consumption.

The local press reports the building of an aerodrome by the Japanese on island near Macao which they have intended when completed to accommodate 70 planes. The runways are big enough for heavy bombers. Underground hangars and anti-aircraft installations are included as is also a wireless station.

An official Chinese report states that 32 Japanese planes dropped 80 bombs on Liuchow, Kwangsi, on September 13th. Of three Chinese planes there one was shot down and pilot killed.

LINNELL

393.115 China National Aviation Company/61 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, September 14, 1938—2 p. m.

316. Your 568, August 31, 9 p. m., and previous. You are authorized to present a reply to the Foreign Office's note along lines as follows:

The American Government has given careful consideration to the statements contained in the Foreign Office's note and annex of August 31 in regard to the attack by Japanese naval planes upon a commercial airplane of the China National Aviation Corporation, and to pertinent reports from American official sources in regard to the principal circumstances of the attack in question.

The American Government has ascertained that the plane which was the object of attack was operated in a well-known and well-established service between Hong Kong and Chungking; that the attack upon this plane occurred during a flight which was carried out as to date and time on a regularly advertised schedule out of Hong Kong; and that when the Japanese planes sighted the civilian plane, the civilian plane was on the regularly-flown course. It has also been learned that the plane attacked bore identification marks on the upper and lower surfaces of its wings in the form of Chinese characters 5 by 4½ feet in size made with strokes over 5 inches wide. As the foregoing information is of a public character and was available to the Japanese authorities, the American Government is of the opinion that the exercise of reasonable care to identify the object of attack would have averted the incident in question.

With regard to the opinion expressed by the Japanese Government that the incident does not involve the interests of third powers, it was pointed out in the Embassy's note of August 26 to the Foreign Office<sup>88</sup> that the life of an American national was directly imperiled and that loss was occasioned to American interests vested in the China National Aviation Corporation. It is obvious that the incident in question was and is of material concern to the American Government and people; and, moreover, this Government reserves the right to call to the attention of the Japanese Government any and all instances of the imperiling of American lives or interests in China by the activities of Japanese military forces.

The American Government therefore feels impelled to call the attention of the Japanese Government to the urgency of there being taken steps effectively to implement the Japanese Government's repeated assurances with regard to the rights and interests of American nationals, and more especially of there being taken such steps with regard to the operation of Japanese military planes as may remove the possibility of attacks by such planes upon the lives or property of non-combatant civilians in circumstances where such attacks will jeopardize the lives and interests of American nationals.

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<sup>88</sup> Text of note is contained in press release issued by the Department, August 26, 1938, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 619.

Please link action under this instruction with action under Department's No. 317, Sept. 14—3 p. m.<sup>89</sup>

HULL

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893.7961/36: Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, September 14, 1938—3 p. m.

317. Your 575, September 3, 3 p. m., and Department's 308, September 7, 6 p. m.<sup>90</sup>

1. Please inform the Japanese Government that the contents of the memorandum from the Japanese Navy Department have been communicated to the Pan American Airways System; and that the company states that, animated by a desire to avoid any unfortunate incident which might imperil its airplane passengers and crew, it will make every effort to conform to the suggestions contained in the Japanese Navy Department's memorandum with regard to the route to be flown between Macao and Hong Kong but has indicated that weather conditions at times may make it doubtful whether its planes could be sure of following the suggested route in and out of Macao. Please add that this Government does not recognize any right of the Japanese Government, or of any agency thereof, to interfere with, much less attack, American aircraft operating in or over non-Japanese territory. You should also state that, irrespective of whether airplanes of American nationality comply with any request or suggestion of the Japanese Government in reference to flights over any particular area of Chinese territory or Chinese waters, the Government of the United States definitely expects the Japanese Government to take all necessary measures to prevent any action by Japanese armed forces which might endanger American plans or their occupants.

2. The Department desires that when you present to the Japanese Foreign Office a reply in the sense outlined in the preceding paragraph you at the same time present the reply to the Foreign Office's note of August 31 in regard to the attack upon the China National Aviation Corporation's commercial plane (see Department's telegram No. 316, Sept. 14, 2 p. m.). The Department suggests that in presenting these replies you make oral comment, either as on your own initiative or as under instruction, along lines as follows:

We cannot but regard the attack on the plane of the China National Aviation Corporation as constituting one more of a mounting total of instances of the failure of Japanese military forces either to exercise ordinary care to identify the objects of their attacks or to manifest

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<sup>89</sup> *Infra.*

<sup>90</sup> Latter not printed.

ordinary restraint and consideration with respect to human lives and suffering. The failure of the Japanese Government and agents to exercise reasonable care to identify the object of attack and to show in practice respect for the rights and interests of civilian non-combatants in connection with the hostilities in China is, especially in view of the situation of the Pan American Airways, a matter which calls for prompt and effective remedial action on the part of the Japanese Government.

HULL

893.7961/36 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, September 14, 1938—4 p. m.

318. Department's 317, September 14, 3 p. m. The Department wishes you to know for your own information but not for communication to the Japanese Government that Pan American Airways has informed the Department that when weather conditions make it doubtful whether its planes could be sure of following the suggested route in and out of Macao, the scheduled stop at Macao will be omitted.

HULL

394.1153 Smith Company, Werner G./57 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, September 14, 1938—8 p. m.

536. Following for Tokyo and also for your guidance:

"Reference Nanking's 158, September 8, 9 p. m., in regard to interference with American commerce and shipping on the Yangtze.

The Department is studying the question of possible further representations. Meanwhile, the Department feels that the information in the telegram under reference can be used to best advantage by the Embassy at Tokyo and by the Consulate General at Shanghai in conversations from time to time with appropriate Japanese officials."

Repeat to Nanking.

HULL

893.76/105

*Memorandum of Conversation, by the Third Secretary of Embassy in China (Drumright)*<sup>91</sup>

[CHUNGKING,] September 15, 1938.

Mr. Drumright called on Dr. S. S. Liu at the Foreign Office today and discussed the radio situation at Shanghai, particularly with

<sup>91</sup> Copy transmitted to the Department by the Ambassador in China in his despatch No. 75, September 17; received November 7.



reference to the numerous protests of the Foreign Office in regard to the arrangements entered into by Mackay Radio and Telegraph Company and R. C. A. Communications, Inc., with the Japanese.

Mr. Drumright referred to various notes received from the Foreign Office on this subject, including the note dated September 10, 1938, and stated that the substance of these notes had been or were being communicated to the Department of State, the Consulate General at Shanghai, and the American radio companies in question. Mr. Drumright briefly reviewed the events leading up to the present situation at Shanghai, including the withdrawal of Chinese troops and authorities from the Shanghai area, the action of the Japanese in seeking a measure of control over the radio communications service at Shanghai by virtue of their military occupation of the area, and the difficult situation in which the foreign radio companies would have found themselves faced should they have failed to take Japanese desires into consideration. Consequently, in order to preserve their interests and property and to maintain a constant radio service with the outside world, a matter of vital interest to people in China and abroad alike, the foreign radio companies, after much consideration and consultation, had decided upon their own responsibility to continue the radio service at Shanghai. They had, according to information available, arrived at a temporary *de facto* arrangement with the Japanese in order to meet the *de facto* situation existing at Shanghai. It was difficult to perceive how the foreign radio companies at Shanghai could have pursued any other course, for to have refused to cooperate with the Japanese as the military masters of the Shanghai area would have resulted in difficulties and possible loss of investments, not to mention disruption of essential radio service.

Mr. Drumright hoped that Dr. Liu would bring the realities of the radio situation at Shanghai, as outlined above, to the attention of the Ministry of Communications and other competent organs, with a view to closing the case.

Dr. Liu replied that he would, of course, bring the above-mentioned views to the attention of the Ministry of Communications, but expressed regret that the American authorities seemed unwilling to cause the American radio companies to sever communications with the Japanese. He considered the activities of the American radio companies to constitute a breach of China's sovereignty and to be inimical to the traditional friendship existing between the United States and China. He requested that these views be brought to the attention of the Ambassador and the Department of State.

Mr. Drumright replied that the views of the Chinese Government, as outlined by Dr. Liu, would be brought to the attention of the competent American authorities. He stated that it was, as Dr. Liu was

aware, the desire of the American Government to respect the sovereignty of China but that it appeared that the preservation of Chinese territory and sovereignty seemed to rest with the Chinese. The present situation had arisen out of the occupation of Shanghai by the Japanese who exercised *de facto* control there. In order to prevent disruption of the normal processes of life, it seemed necessary to recognize the actualities of the situation and to be governed accordingly.

In concluding the discussion, Dr. Liu, in response to a question from Mr. Drumright, stated that to his knowledge only one foreign radio company—a Netherlands organization—had severed radio communications with Shanghai. When questioned whether similar protests had been lodged concerning the use by the Japanese of the railways in which there were foreign interests, Dr. Liu stated that he was not aware that protests had been made in connection therewith. He stated it to be his opinion, however, that the cases of the radio companies and the railways were not analogous.

E. F. DRUMRIGHT

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393.115 China National Aviation Company/62 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, September 16, 1938—4 p. m.

[Received September 16—6 a. m.]

604. Department's 316, September 14, 2 p. m., China National Aviation Corporation. Note was handed to the Foreign Office this afternoon. No substantive change was made in the text authorized by the Department except for incorporation in the first paragraph of our note of an appropriate reference to previous correspondence.

See also our 605, September 16, 5 p. m.<sup>92</sup>

GREW

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893.7961/38 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, September 16, 1938—5 p. m.

[Received September 16—7:58 a. m.]

605. Department's 317, September 14, 3 p. m., and our 604, September 16, 4 p. m., Pan American Airways. The Counselor of the Embassy called this afternoon on the director of the American Bureau of the Foreign Office and after delivering the note referred to in our 604 handed Yoshizawa an informal letter in which there were in-

<sup>92</sup> *Infra.*

cluded statements closely following the text of paragraph 1 of the Department's telegram under reference.

With reference to the second paragraph of the Department's telegram an oral statement along the lines desired was made as under instruction.

GREW

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893.70/41 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, September 17, 1938—4 p. m.

[Received September 17—1:30 p. m.]

1244. My 1218, September 13, 5 p. m. British Ambassador has instructed British Consul General to inquire of his Japanese colleague whether the demands of the Special Service Section of the Japanese Army represent the policy of and have the support of the Japanese Government and if so to request that they be put forward through the usual official channels. The Danish Minister informs me that under the instructions received from his Government he is authorized to proceed along the same lines. I respectfully suggest that I also be authorized to make a similar inquiry of the Japanese Consul General.

Repeated to Chungking and by mail to Peiping and Tokyo.

LOCKHART

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393.1115/3839

*Memorandum by the Consul at Hankow (Jarvis), on Leave  
in the United States*

[Extracts]

[WASHINGTON,] September 17, 1938.

It was the opinion of the German military advisers, when they left Hankow at the beginning of July, that the Chinese should be able to hold the city until the 1st of October. It now looks as if the Chinese will do better than that, but though opinions differ as to the probable date of Hankow's fall there is general agreement that the Japanese must and will take Hankow, as long as China resists.

2. When Hankow does fall, will the occupation be a repetition of what happened at Nanking or a peaceful turnover as at Tsingtao? The answer lies primarily with the Japanese and Chinese but the determining factor may be the attitude of the foreign powers, especially the United States. It is widely accepted in China that what occurred at Nanking and many other places taken by the Japanese is only the usual Japanese way of treating captured towns and that the brutalities which have so shocked foreigners are not the result

of lax discipline but that license to loot, rape and kill is the normal reward, in this war at all events, of successful Japanese troops, as it has been in the past in other armies. Many observers expect the Japanese to behave no better at Hankow than they did at Nanking, unless some restraint can be put upon them, and that the more stubbornly the Chinese resist and the longer they delay Hankow's capture the worse the Japanese will behave when they finally reach it.

3. At one time it was planned that the Chinese troops as they retired before the Japanese would not pass through but would be diverted around Hankow, where meanwhile the local garrison, commanded by a Hupeh general liked and trusted by the foreign community, would maintain order as long as possible and withdraw before the Japanese arrived. Before I left there were signs that this plan might be discarded in favor of one that boded ill for Hankow: the Communists were said to be pressing for a strong stand at Hankow, the new Hupeh Governor (replacing the general mentioned above) was talking of arming the civil population, and there were hints that the "scorched earth" policy, which has strong advocates in the Chinese high command and which might, for example, involve the wrecking of the Japanese Concession, might be applied at Hankow. Foreigners, while hoping for the best were preparing for the worst, which they envisaged as a combined Japanese attack by air, land and river, overwhelming Chinese resistance and filling the city with fleeing Chinese troops with the Japanese in hot pursuit and bloody encounters in the streets and on the Bund. If, however, the Japanese prefer to take Hankow by enveloping it rather than by direct assault, the Chinese may make a timely withdrawal, as they did at Hsuchow, and the occupation may meet no organized resistance.

. . . . .

17. At Nanking under appallingly difficult circumstances and without official support, and at many towns in the interior, small groups of devoted missionaries, cut off from contact with the outside world, have been able to safeguard much of their missions' property, to save thousands of innocent Chinese from violence and death, and to exert a restraining influence on the occupation. At Hankow, with its French Concession, its partly British-administered S. A. D. 3, its large foreign interests and extensive foreign properties, its foreign consulates, and its foreign warships, conditions are not less favorable for the maintenance of foreign rights, the protection of foreign interests, the curbing of barbarism, and the performance of a great humanitarian work.

18. I venture to hope that the American Government will (1) make strong representations to the Japanese and Chinese Governments (*a*) for the protection of our citizens, property and interests at Hankow

and (b) for the establishment and observance of the safety zones proposed by the Committee; (2) remind Tokyo of her repeated promises to respect our rights and her frequent disclaimers of animus against the Chinese people and warn her that we regard Hankow as a test of her good faith in both respects; and (3) see that our efforts, and what happens at Hankow, receive full publicity.

19. A firm stand in assertion of our rights and the rights of non-combatants should do good not only at Hankow but wherever in the Far East those rights may be threatened; it should also strengthen the hands of France and Great Britain in Europe. The risks are no greater than those incurred by weakness.

R. Y. J[ARVIS]

Note. The writer (now in the United States on leave) left Hankow July 14, 1938. From their formation until his departure he was Secretary of the Foreign Transportation Committee and consular representative on the Foreign Residents Association. He was in close touch with the Safety Zones Committee.

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893.70/40 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, September 19, 1938—7 p. m.

540. Your 1218, September 13, 5 p. m., in regard to demands made upon the cable companies at Shanghai by the Japanese.

1. Department has not yet received your despatch No. 1642 of September 1<sup>st</sup> and desires to have more information before making a definite decision in regard to the recommendation in paragraph 5 of your telegram under reference.

2. Department is inclined to believe that the Commercial Pacific Cable Company is entitled to our support for its position in regard to item 2 of the Japanese demands. In this connection please report whether the Department is correct in assuming that "balances already deposited in the suspense accounts" consist entirely of money which would normally go to the Chinese Government after all the claims of the interested cable companies had been met. Please report the nature and extent, if any, of the interest of the Commercial Pacific Cable Company in the Marconi loan referred to in item 1 of the Japanese demands. If the Company has no direct interest, please report why the Company desires to resist item 1 of the demands and your opinion why or whether we should lend official support to the Company in this respect. Please also report whether compliance with item 4 of the Japanese demands in regard to future deductions would

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<sup>88</sup> Received September 24; not printed.

stop payment, in absence of Japanese consent thereto, of obligations now in existence or only of obligations incurred in the future.

HULL

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393.1163AM33/101 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, September 20, 1938—6 p. m.

329. Canton's September 18, 11 a. m.,<sup>94</sup> in regard to the bombing of the Baptist Memorial Hospital at Wuchow, Kwangsi. Upon the basis of available information the Department is of the opinion that the case under reference should be made the subject of a formal protest to the Japanese Foreign Office in accordance with the last paragraph of the Department's 64, February 18, 6 p. m.

HULL

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893.7961/40 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, September 21, 1938—2 p. m.

[Received September 21—6 : 36 a. m.]

613. Our telegram 580, September 6, 11 a. m.<sup>94</sup> The Vice Minister for Foreign Affairs informed my British colleague on September 19 in answer to his inquiry of September 2 that if a civilian aircraft were known to be proceeding on legitimate business the mere fact that it had changed its course in order to elude pursuit by military aircraft would not in itself be regarded by the Japanese forces as a justification for an attack.

I agree with Craigie's view that no useful purpose is likely to be served by pursuing legal aspects of this question.

GREW

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893.70/42 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, September 22, 1938—2 p. m.

[Received September 22—11 : 10 a. m.]

1256. Your No. 540, September 19, 7 p. m.

1. Department is correct in assuming that balances already deposited in suspense account by cable companies consist entirely of money which would normally go to the Chinese Government. Com-

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<sup>94</sup> Not printed.

mercial Pacific Cable Company has no interest in the Marconi Loan and item 1 of the Japanese demands does not concern us and should be disregarded. The three cable companies here prepare joint balance sheets and deposit the balances due the Chinese Government in a joint suspense account; the three companies are usually addressed jointly by the Japanese authorities and usually reply jointly; the three companies also usually send identic letters to their consular representatives. This accounts for the inclusion of item 1 in the letter to us. As to item 4, following is exact text of the Japanese demand:

"I beg to repeat that any deduction from the terminal rate on your part shall not be approved of by the Japanese military authorities, unless it be previously agreed upon by them."

2. I recommend that as suggested by Lockhart in his 1244, September 17, 4 p. m., I be authorized to take action similar to that of my British and Danish colleagues. Early instructions are requested.<sup>96</sup>

Repeated to Peiping and Tokyo by mail.

GAUSS

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393.1163AM33/104 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, September 22, 1938—3 p. m.

[Received September 22—11: 15 a. m.]

615. Department's 329, September 20, 6 p. m., Baptist Memorial chapel at Wuchow. There was sent to the Foreign Office on September 19 a note containing reference to "this unwarranted attack which directly imperiled American lives and destroyed American property used for humanitarian purposes [apparent omission] despite the fact that, as in other cases the property was clearly marked with American flags" and asking for prompt issuance by Japanese Government of instructions "which will prevent the recurrence of similar acts."

GREW

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793.94/13942 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, September 22, 1938—6 p. m.

[Received September 22—3: 05 p. m.]

1257. With reference to this Consulate General's 1035, July 26<sup>97</sup> concerning proposed Ichang safety zone, a written reply was received today from the local Japanese Consulate General which states:

<sup>96</sup> Recommendation was approved by the Department in its telegram No. 546, September 22, 6 p. m.

<sup>97</sup> Not printed.

“Although the Japanese military authorities are unable to recognize formally the proposed safety area, they are ready to give favorable consideration to the matter insofar as it is not prejudicial to our military operations, and at the same time so long as it is entirely clear that the Chinese forces do not take advantage of, or approach the proposed ‘safety area.’”

Repeated to Chungking, Tokyo, Hankow, by mail to Peiping.

GAUSS

393.115 Carolina Leaf Tobacco Company/10 : Telegram

*The Secretary of State to the Consul General at Shanghai (Lockhart)*

WASHINGTON, September 23, 1938—5 p. m.

549. Your 1219, September 14, 10 a. m. The Department desires that you reply to the Japanese Consul General along lines as follows :

The ownership of the hogsheads of tobacco by the Carolina Leaf Tobacco Company, an American firm; the presence of those hogsheads of tobacco in the godowns of the Joint Savings Society at the time of the occupation of those godowns by the Japanese forces on or about October 31, 1937; and the seizure of the hogsheads of tobacco by the Japanese military authorities are established facts which appear to be accepted by the Japanese Consul General. The Consul General contends, however, that the hogsheads were “booty” and seized as such, and he alleges, as a basis for his contention, that the Chinese troops appropriated the tobacco which act gave to the tobacco an “enemy” character and consequently made it subject to confiscation by the Japanese forces under “the rules of war”. The Japanese authorities affirm, therefore, that they are not in position to return the tobacco or to accept any claim for damages.

In the opinion of the American Government there exists no factual or legal basis for the Japanese contention. The fact that Chinese troops had made use of the godowns affords no grounds whatsoever for the Japanese contention that the Chinese troops appropriated the tobacco. Use which the Chinese troops may have made of the hogsheads was simply of an incidental character. This was no more appropriation than would be a similar use of a building or a wall or a mound of earth. The tobacco, belonging to an American firm, could, as a matter of fact, not legally have been appropriated by the Chinese troops; nor subsequently could it legally be appropriated by the Japanese troops.

The American Government maintains that the tobacco in question could not lawfully be taken and be damaged or destroyed or appropriated by either the Chinese or the Japanese authorities—or by any other authorities—and that such procedure without compensation would be or is confiscation. Under no rules of war would that be legal. Even if the Japanese authorities were in position to appeal with warrant to those rules, such appeal would not support the Japanese contention in this matter. There is nothing in the rules of war which authorizes or makes lawful any confiscation of noncontraband property of nationals of third countries.



The American Government, therefore, asks the Japanese authorities to reconsider this matter and urges that measures promptly be taken either to effect return of the tobacco to the American owner or fully to indemnify the owner.

Please repeat to Chungking, Peiping, and Tokyo. Request Tokyo, as from the Department, to make an approach to the Japanese Foreign Office along the lines set forth above if, in its opinion, such an approach would serve a useful purpose.

HULL

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394.1153 Smith Company, Werner G./59 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOkyo, September 23, 1938—6 p. m.

[Received September 23—10:18 a. m.]

618. Department's 536, September 14, 8 p. m., to Shanghai, navigation rights on the Yangtze. My British colleague has recently supplied the Minister for Foreign Affairs with a detailed list of Japanese steamers trading on the Yangtze, supplemented by information on commercial cargoes carried by these vessels, advertisements of sailings of Japanese vessels prepared to carry commercial cargo and passengers on the Yangtze, et cetera. Today we orally referred the Foreign Office to the information supplied by the British Ambassador and made appropriate and further emphatic representations on the basis of Nanking's 158, September 8, 9 p. m.

Repeated to Nanking.

GREW

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393.115 Hunt Company, William/65 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, September 28, 1938—noon.

[Received 2:45 p. m.]

1273. 1. I have received a letter from the Japanese Consulate General the gist of which follows:

On September 17 the Japanese naval landing forces found at Wusueh a hulk marked with an American flag and the inscription "W. H. and Co."

It was found that no hulk of American nationality was at Wusueh prior to the outbreak of hostilities and documents belonging to the hulk give reason to believe that it is the property of the China Merchants' Steam Navigation Company, formerly at Kiukiang.

Therefore the "hulk is to be regarded as Chinese property camouflaged as foreign property, and it will be disposed of as such by the Japanese naval authorities, together with articles found in the

hulk". A detailed list of these articles is given, including two automobiles, one truck and other miscellaneous cargo of lesser value.

2. I have replied as follows:

"I have the honor to refer to your letter of September 26, 1938, regarding the discovery by the Japanese naval landing forces at Wusueh on September 17 of a hulk, marked with an American flag, together with certain articles found therein. As Wusueh is not in the Shanghai Consular District, I am referring the matter to the appropriate American authorities for investigation. Meanwhile, I must reserve all rights in connection with any of this property which may be American owned."

3. William Hunt and Company has been informed of the contents of the letter from the Japanese Consulate General without comment.

4. Full text of Japanese Consulate General's letter follows by mail.<sup>98</sup>

5. Repeated to Chungking, Peiping, Hankow, code text to Tokyo by mail.

GAUSS

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898.1163P/143: Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, September 30, 1938—8 p. m.

562. Reference final paragraph of your despatch No. 1638, August 25, and paragraph 4 of your telegram No. 1226, September 15, 10 a. m.,<sup>99</sup> in regard to Japanese occupation of properties at Soochow belonging to the American Presbyterian Mission. While the Department appreciates that your office has been and is faced with discouraging difficulties in obtaining action in this matter, it is desired that your office continue, on appropriate occasion, to press the Japanese authorities for the early withdrawal of Japanese troops from the American property and the return of the property to the American owners.

HULL

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811.7893C73/95: Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, October 1, 1938—4 p. m.

340. The Commercial Pacific Cable Company has informed the Department that it has evidence, which has been submitted to you, that Japanese Government telegraph offices have deliberately disregarded "via" indications inserted by senders who wished to use the Commercial Pacific Cable route, contrary to assurances given by the

<sup>98</sup> Not printed.

<sup>99</sup> Latter not printed.

Japanese authorities to the company that "via" indications would be respected.

If you consider the evidence in question adequate for use as the basis of action, you are authorized in your discretion to make an informal approach to the Japanese Foreign Office and express the hope that the Japanese Government telegraph offices will respect the "via" indications inserted in messages by senders in accordance with their reported assurances to the company given presumably in conformity with existing international telegraph regulations. In making your approach you should bear in mind the fact that the United States, while a party to the 1932 Madrid Telecommunications Convention,<sup>1</sup> is not a party to the telegraph regulations annexed thereto.

You may care to consult your British and Danish colleagues in regard to this matter.

Please inform the Department of any developments.

HULL

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393.1163P92/144 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, October 1, 1938—5 p. m.

[Received October 1—9:15 a. m.]

1285. Department's 562, September 30, 8 p. m., and this office's 1226, September 15, 10 a. m.,<sup>2</sup> properties of American Presbyterian Mission North at Soochow occupied by Japanese. A telegram has just been received from Crawford, mission representative at Soochow, reading as follows:

"Presbyterian properties fully returned, badly damaged."

Code texts of this telegram and the Department's 562, September 30, 8 p. m., are being sent by mail to Chungking, Peiping and Tokyo.

GAUSS

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393.115/477 : Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, October 4, 1938—4 p. m.

[Received 9:30 p. m.]

601. 1. The following note dated October 3d has been received from the Japanese Embassy:

"I have the honor to communicate to you, at the instance of the Japanese military authorities in North China, on the matter pertaining

<sup>1</sup> *Foreign Relations*, 1932, vol. I, p. 873.

<sup>2</sup> Letter not printed.

to the protection of the life and property of the nationals of the third powers in the area of military operations in China.

The representatives of the third powers in China are respectfully requested for the full compliance with the specified requests already made by the Japanese authorities in the past in regard to their respective nationals and properties in the territories embracing the areas along the Kinhan<sup>3</sup> Railway south of the Yellow River and regions west of the Chengchow Districts of the Lunghai Railway and the area between the above-mentioned two railway lines.

If there are any of those nationals whose presence and the positions of properties which have not as yet been communicated to the Japanese authorities, [they?] are asked to send in their reports. And those marks on the foreign properties, already installed but which have been deteriorated or their clear visibility is marred due to their constant exposure to elements, are requested to be replaced with the new ones. It is further requested that the good offices of the foreign Embassies and Legations will be pleased to give all the effectual efforts for keeping away from the properties of the nationals of their countries while the Japanese forces are engaged in offensives and especially while the shelling and bombing are conducted. The Japanese forces in fact even dared to undergo the strategic inconveniences and suffer disadvantages in their operations in order that they might accord the full respect for and protection of the life and property of the third power nationals in China.

In this connection, the authorities of the third powers are earnestly requested for rendering their cooperation with the sincere efforts of the Japanese military authorities giving a due cognizance of the true situation in the execution of their military operations."

2. The principal parts of the text of the note were published in the local press this morning.

3. An officer of the Japanese Embassy has informed me orally that the delivery of the note to this Embassy is of a routine nature and that no reply thereto from us is necessary. Unless instructed to the contrary, no reply will be made.

4. Sent to the Ambassador. Repeated to Hankow. Copy by mail to Tientsin and Tokyo.

SALISBURY

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893.00/14265 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, October 5, 1938—10 a. m.

[Received October 5—7 a. m.]

The following telegraphic summary for September prepared for Peiping is forwarded as of possible interest to the Department.

"Japanese air raids continued on South China during the month with the main force of their attack turned to Kwangsi and Kwang-

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<sup>3</sup> Peiping-Hankow.

tung Provinces where air bases, military concentrations and the principal cities of Wuchow, Liuchow, Nanning, Kweilin and Kweiyang were heavily bombed. The most disastrous raids were made on Wuchow, Kwangsi, with the university, 2 middle schools, various industrial plants badly damaged, some 300 houses destroyed and casualties of over 300 reported. Canton-Hankow and Canton-Kowloon railways less intensively attacked and their service maintained with but few interruptions. Suburbs of Canton bombed several times and on September 27th one of remaining water plants put out of operation greatly diminishing city water supply.

Japanese naval units continued reconnoitering, shelling and small scale attacks on Kwangtung coast and Hainan Island. Waichow Island situated in Gulf of Tong-king about 25 miles south of Pakhoi, Kwangtung, occupied in middle of month was abandoned on September 27. Sancho and Ladrones Islands still occupied and reported that effective air bases have been developed there.

On 17th during severe raid on Wuchow, Kwangsi, 21 bombs were dropped on the Stout Memorial Hospital property of the South China American Baptist Mission there with a direct hit on hospital, on the roof of which an American flag was painted, and other buildings also badly damaged. A protest was sent by the Consul General to the Japanese Consul General at Hong Kong. On 9th Japanese planes also dropped a bomb in the compound of the Presbyterian Mission at Hoihow, Hainan Island, and on 10th, Standard Vacuum Oil Company's office there was bombed and machine gunned.

Property of Southern Baptist Mission at Kweilin, Kwangsi, evacuated except for one building by Chinese forces after protest by Consul General. Informal representations were also made to have Chinese soldiers vacate school adjoining Hackett Memorial Hospital in Canton.

[Here follows report on domestic conditions in Kwangtung.]

LINNELL

393.115/478: Telegram

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

CHUNGKING, October 5, 1938—noon.

[Received October 5—7 a. m.]

479. Following from Shanghai:

"October 3, 3 p. m. Restrictions on movements of Americans in the portions of Chekiang under Chinese control.

I have received a reply, dated September 23, from the Ningpo Garrison Headquarters to this office's letter of September 14 requesting that it take prompt steps to facilitate travel of American citizens in the parts of Chekiang under its jurisdiction, since several Americans have reported difficulties in obtaining permits for travel.

The reply is to the effect that as passengers are prohibited from travelling on vessels from Shanghai to Ningpo, American citizens must first obtain permission by telegraph from the Ningpo Garrison Headquarters, which will consider each case on its merits.

The matter is referred to the Ambassador for possible consultation with the Chinese Government authorities with the request that appro-

priate instructions be issued to the Ningpo authorities if that is deemed expedient."

JOHNSON

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393.115/480 : Telegram

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

CHUNGKING, October 5, 1938—11 a. m.

[Received October 5—7 a. m.]

478. [Following to Shanghai:] Your October 3, 3 p. m.<sup>4</sup> So far as my information goes the portions of Chekiang under Chinese control are subject to attack by Japanese forces and if this is so I do not think it unreasonable that the Ningpo Garrison Headquarters reserve the right to consider on its merits each application by an American citizen to travel or reside in such portions of Chekiang province. I shall be glad to take up with the Chinese Foreign Office any case or category of cases in which the Chinese authorities place unreasonable obstacles in the way of American citizens applying for travel visas in Chekiang. Your telegram and this reply have been sent to Shanghai [*the Department*].

JOHNSON

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393.115 Associated American Industries/6 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, October 6, 1938—4 p. m.

[Received 5:10 p. m.]

1302. Reference Department's No. 491, August 17, 4 p. m. and Shanghai's No. 1189, September 3, 4 p. m.<sup>5</sup> regarding lease of Chinese enterprises by Associated American Industries.

1. Allman, president of the company, informs me that while the company has heretofore experienced no difficulty in obtaining any necessary Japanese passes or permits it has now been told that the Japanese authorities require that the American Consul General inform them that the company's leases and operating agreements are legal and in order. He therefore now seeks our support.

2. The company is a Delaware corporation organized in February of this year with an authorized capital of 100,000 United States dollars and a paid up capital of 25,000 United States dollars of which 15,000 represents American shareholdings and 10,000 Chinese. The general manager is a local American businessman of satisfactory repu-

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<sup>4</sup> See telegram No. 479, October 5, noon, *supra*.

<sup>5</sup> Latter not printed.

tation. The company now employs 11 Americans including several men of technical training and experience.

3. Allman states that the company was formed principally for the purpose of rebuilding and arranging for re-equipping of Chinese factories and their operation under leases and operating agreements which it is estimated will in most cases run for about 5 years. The company is already operating a flour mill inside the Settlement and is effecting repairs of a dyestuffs and chemical factory and Sung Sing cotton mills numbers 1 and 8 outside the Settlement proper. American architects and engineers and technical assistants are being employed.

4. No extensive re-equipment of the mills is being undertaken at this time, such measures being reserved for more normal conditions. The operating agreements contemplate that the mill properties shall be used as security for financing where necessary and it is my understanding that operating capital will be borrowed from Chinese banks.

5. So far the company is operating only in the Shanghai area although one or two plants that will be operated at Shanghai have branch plants at Hankow.

6. Allman states that while legally it should not be necessary to have authority from the Japanese to operate, in practice it is found necessary to obtain Japanese passes to move materials and employees in areas under Japanese occupation. This is a fact.

7. The American company apparently contemplates actual American operation and control in good faith of the Chinese enterprises concerned under leases and operating agreements extending over terms of about 5 years.

[Here follow various other details regarding the American company.]

Early instructions [are requested] as to the extent of protection I may afford this company.

Repeated to Chungking, by mail to Peiping.

GAUSS

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793.94/14018 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, October 7, 1938—3 p. m.

[Received October 7—8 a. m.]

Department's October 5, 6 p. m.<sup>6</sup> Local officials state it has been verified that Japanese transports referred to are now at Formosa. No other news concerning them has been received here. The weather

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<sup>6</sup> Not printed.

in South China is at present very unsettled with typhoons in several localities.

British official and mercantile circles in Hong Kong are reported in Canton to believe that an invasion of South China is imminent. The Chinese authorities express confidence in their ability to defend South China. It is reported that Kwangtung recently sent 2 divisions of troops to the front but that 3 more divisions which were intended for the front are being held here for the present.

With reference to my June 15, 4 p. m., I would repeat that if a land invasion should occur a general evacuation of Americans should be urged at once and it is believed that most of the women and children would leave voluntarily; many of the missionaries especially the priests and best of the doctors would however insist upon remaining unless the invading forces came to their immediate vicinity; that the invasion would place those Americans in outlying portions of this district in little more danger than they are at present.

The situation is being closely watched and all Americans will be urged to leave if an invasion begins.

More than 75 Japanese planes yesterday raided Kwangtung and Kwangsi, many bombs were dropped on the 2 railways and the Canton-Hankow Railway was temporarily out of commission but train will run tonight.

LINNELL

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393.115/482: Telegram

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

WASHINGTON, October 7, 1938—5 p. m.

262. Peiping's 601, October 4, 4 p. m., in regard to identification of American properties in certain north China areas. The Department offers for your consideration the suggestion that the Americans responsible for American properties in the areas indicated in the Japanese communication might well be advised to keep their property markers from becoming so weather-worn as to be indistinct.

WELLES

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393.11/2115: Telegram

*The First Secretary of Embassy in China (Salisbury) to the Secretary of State*

PEIPING, October 12, 1938—4 p. m.  
[Received October 12—1:20 p. m.]

618. Tsingtao's despatch No. 374 of October 7, reports that the police department of the Tsingtao municipality has requested the Con-



sulate for certain data regarding American residents of the city. A sample form in English enclosed with the despatch calls for name, sex, married status, age, nationality, date and place of birth, profession, passport particulars, address, object in coming to Tsingtao, certification of correctness of data supplied, and signature. Consulate states that it understands that police department has already distributed forms direct to all Caucasian foreigners at Tsingtao including Americans, but that the police authorities are not satisfied with the comparatively few returns which have been made.

The Embassy is of the opinion that the form calls for no data of a real confidential nature and that it might prove helpful to Americans in Tsingtao to have the police authorities know the addresses of the American nationals residing there.

Having in mind the Department's instruction contained in the Legation's circular instruction No. 375 of October 3, 1929,<sup>7</sup> it is recommended that the Embassy be authorized to instruct the Consul at Tsingtao to transmit in his discretion and in such manner as he deems practicable, the form to American residents there, with a statement reading as follows:

"American Consulate, Tsingtao, date. There appears to be no objection to American nationals supplying the local police authorities with such information on the enclosed form as American nationals may wish to divulge."

It is believed that the procedure suggested above will not constitute such action to be avoided as mentioned in the first paragraph of the Department's telegraphic instruction No. 400 of December 15, 7 p. m. 1937, to Peiping.<sup>8</sup>

Repeated to Chungking.

SALISBURY

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393.115 Associated American Industries/7: Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, October 12, 1938—6 p. m.

581. Your 1302, October 6, 4 p. m., regarding lease of Chinese enterprises by Associated American Industries.

1. If you have no reason to question the reality and good faith of the alleged American financial interest in and American control of the corporation, the Department is of the opinion that you may properly inform the Japanese of the facts as known to you and request proper recognition of the legitimate American interests involved.

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<sup>7</sup> Not printed.

<sup>8</sup> *Foreign Relations*, 1937, vol. III, p. 811.

2. It is noted, however, that (a) the corporation was formed (principally for the purpose of rebuilding and re-equipping Chinese factories and for their operation under lease) after the beginning of the current hostilities in China with full knowledge of the risks involved and (b) while the alleged American financial interest in the corporation constitutes a majority of the stated paid-in capital, it represents only a small percentage of the total authorized capital. The 75 percent not yet paid in might possibly be taken up by aliens with resulting control by them. With these considerations in mind the Department is of the opinion that, if you should feel warranted in taking any action, your action should be within the limits indicated in the first paragraph of this telegram and should not include intervention in the event that the Japanese oppose the corporation's activities as described.

HULL

793.94/14046 : Telegram

*The Secretary of State to the Consul General at Canton (Linnell)*

WASHINGTON, October 12, 1938—6 p. m.

Your October 12, 1 p. m.,<sup>9</sup> and October 7, 3 p. m. In view of the publicity which is being given in the American press to the landing of Japanese troops and of the resultant frequent inquiries made of the Department by the press and other interested persons, the Department would appreciate receiving each day, as long as the situation continues to be critical, a rush telegram summarizing such information as you have been able to obtain relating to politico-military developments. Include pertinent information and comment on the question of the safety of American citizens at Canton and at other places in your consular district. Please telegraph the number of Americans now residing in Canton and keep the Department informed as to numbers and names of those who withdraw. Department assumes that you are urging upon Americans the desirability of withdrawing.

HULL

393.115 Standard Vacuum Oil Company/62 : Telegram

*The Secretary of State to the Consul General at Shanghai (Gause)*

WASHINGTON, October 12, 1938—[8 p. m.]

Following for Tokyo:

"352. October 12, 8 p. m., Amoy's October 3, 4 p. m., and Chung-king's 482, October 7, 10 a. m.,<sup>10</sup> in regard to Japanese interference with shipment of gasoline from Amoy to Swatow.

<sup>9</sup> Not printed.<sup>10</sup> Neither printed.

The Department, upon the basis of information before it, is of the opinion that there may be a real military consideration involved in the refusal of the Japanese to permit the shipment of the gasoline in question. Under the circumstances, and without any implication that the Japanese can properly interfere with the movement of American merchandise, the Department is of the opinion that no useful purpose would be served by making a specific approach to the Japanese Foreign Office in regard to this matter. The Department suggests, however, that in your discretion you bring the case to the attention of the Japanese Foreign Office in connection with other cases of interference with the movement of American cargo."

Repeat to Chungking and Amoy with the statement that the Department desires Amoy to continue to take the matter up locally as opportunity offers.

HULL

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798.94/14057: Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, October 13, 1938—1 p. m.  
[Received October 13—7:30 a. m.]

Japanese are assembling strong land forces at Bias Bay and attempted routes will be either via Tamshui to Pingwu or by Tamshui and Waichow to Cheungmuktau in order to cut the Canton-Hankow Railway at Pingwu or Cheungmuktau. The Chinese claim to have excellent fortifications along both routes.

The Canton-Hankow Railway was seriously bombed yesterday and service at least temporarily stopped. Warning has been given by the Chinese authorities that the Pearl River may be closed to traffic at anytime.

Yesterday I requested that all American women and children in Canton and vicinity leave for Hong Kong at once and many have gone by steamer this morning. I have also sent a general circular to all Americans in this district pointing out danger of situation and urging evacuation unless their remaining is necessary.

I have just been informed confidentially that the Pearl River will be closed tonight.

Department's October 12, 6 p. m. Following 15 Americans left Canton today for Hong Kong:

[Here follows list of names.]

White Americans now in Canton 82, Chinese-Americans 70.

LINNELL

893.115/486 : Telegram

*The Consul General at Hong Kong (Southard) to the Secretary of State*

HONG KONG, October 14, 1938—4 p. m.

[Received October 14—12:30 p. m.]

Japanese Consul General requests that any American nationals in the districts of Waichow and Paklo be advised immediately to mark each of their properties with large flags which can be easily recognized from the air. He says there are some markings which are not clear enough.

Sent to Canton. Repeated to Chungking.

SOUTHARD

793.94/14188

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

[WASHINGTON,] October 14, 1938.

The Portuguese Minister called at his request. He said that he had received a telegram from his Foreign Office stating that the Portuguese Government had received at Tokyo a communication from the Japanese Government stating that the Japanese Government had decided to conduct military operations in south China and that the Japanese Government would respect the rights and interests of third powers. The Minister said that his Government had assumed that we had received a similar communication. I replied in the affirmative.<sup>11</sup> The Minister then said that the Portuguese Government would like to exchange views with this Government in regard to the matter; that the Portuguese Government had of course a special interest because of Macao; that the Portuguese Government desired if possible to have any action taken by it conform to any action taken by other powers, always keeping in mind, however, that the position of the Portuguese Government might be special because of Macao. The Portuguese Minister did not state, however, that his Government had decided to take any action in the matter. He asked whether I could give him an indication of our views.

I said that the note which had been presented to our Embassy in Tokyo conformed to the general outline of the communication received by the Portuguese Government, as described by him. I said that at the end of the note received by us there was an indication that we might expect to receive a further communication particular-

<sup>11</sup> See telegram No. 657, October 12, 10 a. m., from the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 476.

izing the measures which the Japanese Government desired be taken. I said that we had just received from our Embassy at Tokyo the text of an additional note which the Japanese Foreign Office had sent to our Embassy<sup>12</sup> but that we had not yet had time to study this second note.

I told the Portuguese Minister that over the period of the past year we had received a number of such communications from the Japanese Government and that we had several times informed the Japanese Government of our general position, namely, that although American nationals were under no obligation to take precautionary measures, American officials had consistently advised such nationals to take precautionary measures; that many Americans had withdrawn from dangerous areas; that American nationals had placed identifying marks on their properties; that the location of the properties had been communicated to the Japanese; but that whether or not American nationals took such precautionary measures, this Government would be obliged, in case there occurred injury or damage to American nationals or their property resulting from Japanese military operations, to hold the Japanese Government responsible therefor. I told the Minister that after we had given consideration to the two notes which we had received in Tokyo from the Japanese Government, I would expect to inform him of our views in regard thereto.

OCTOBER 15, 1938.

Note: I telephoned the Portuguese Minister this morning and informed him of the substance of the Department's telegram to Tokyo No. 354, October 14, 7 p. m.<sup>13</sup> The Minister thanked me for this information and said that if he heard anything further from his Government in regard to the matter, he would let me know.

M[AXWELL] M. H[AMILTON]

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793.94/14089 : Telegram

*The Consul General at Hong Kong (Southard) to the Secretary of State*

HONG KONG, October 15, 1938—6 p. m.

[Received October 15—11:50 a. m.]

I have just received the following letter from the Japanese Consul General in Hong Kong:

"I have the honor to inform you that I have received an instruction from the Minister of Foreign Affairs this morning to the effect that

<sup>12</sup> See telegram No. 664, October 13, 4 p. m., from the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 623.

<sup>13</sup> Not printed, but see telegram No. 671, October 16, 3 p. m., from the Ambassador in Japan, *ibid.*, p. 625.

the Commander-in-Chief of the Japanese Expeditionary Forces to South China has requested [me?] to transmit the following notice to the competent authorities in South China.

Heavy fighting is expected in the near future in a zone within the radius of about 200 kilometers around Canton, and another within a radius of about 100 kilometers around Swatow. According to past experiences, such as the unfortunate incident involving His Excellency Sir Knatchbull-Hugessen, the former British Ambassador to China,<sup>14</sup> it is impossible to differentiate from air any sign or display drawn or laid down on the top of a motor car. Therefore, all the nationals of the third countries are earnestly requested to refrain from going through the said areas in motor cars.

Japanese forces, not being in a position to guarantee the safe passage of motor cars travelling in the said zones, all the nationals of the third countries are also advised, should circumstances oblige them to travel through these areas in motor cars, to use their own discretion to avoid any possible attack from the Japanese forces.

I should be very much gratified if you would kindly convey this information by telegram to your colleagues in Canton and Swatow."

Sent to Canton, Swatow, repeated to Chungking.

SOUTHARD

393.1115/3687 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, October 15, 1938—11 p. m.  
[Received October 15—1 p. m.]

There are now 79 American-born Chinese, whose registrations have been approved by the Department, in Canton and vicinity, and while efforts will be continued to get them to evacuate soon, this is especially difficult since there are at present no egress to Hong Kong either by the Canton-Hong Kong Railway or by the river.

It is felt that this Consulate General should be able to assemble at the Consulate General these persons as well as the white Americans if the Japanese come to Canton or start to shell or bomb the city. However, the British Consul General says that the regulations of the British Concession forbid any persons of the Chinese race except servants to reside on Shameen and that if an emergency comes no Chinese will be allowed to come on the island.

I have been told that naturally we do not want to have these people come to live on Shameen but that if attack comes it might be necessary to keep them here for a short time until means could be found to take them out. His reply is that this would not be permitted. I would ask for your consideration of this situation and possible approach to the British Ambassador or Government and for instructions in the

<sup>14</sup> The British Ambassador was wounded while motoring between Nanking and Shanghai in 1937; Japanese air attack was blamed.

premises. I have told the British Consul General that I would refer this matter.

Sent to the Department and Embassy, Chungking.

LINNELL

398.1163/853 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, October 17, 1938—6 p. m.

355. Reference Shanghai's despatch No. 1686, September 16, 1938,<sup>15</sup> entitled "American Properties Bombed by Japanese since May 1, 1938".

The Department desires that, in such manner as you may deem appropriate, you transmit to the Japanese Foreign Office a list based on the enclosure to the despatch under reference, giving the names of the owners, the dates of notification of the location of properties and of the furnishing of maps to the Japanese and the dates of bombing but omitting mention of individual protests. You should point out that the list gives only those instances which have come to the attention of the Shanghai Consulate General during a period of less than 4 months and does not include the many other instances of the bombing of American properties by Japanese planes in north, central and south China; and that in 25 of the 29 cases listed the Japanese authorities had been furnished—in some instances only a few days before the bombing occurred—with maps or other information describing the exact location of the properties bombed.

Please refer to the Japanese communications to you referred to in your 657, October 12, 10 a. m.,<sup>16</sup> and 664, October 13, 4 p. m.,<sup>17</sup> in regard to new Japanese military activities in south China and say that in relation thereto the American Government is all the more concerned for the safety of American lives and property in the area of those activities because of the indiscriminate bombings listed notwithstanding and in utter disregard of repeated assurances given by the Japanese authorities that they will respect American lives and properties. Say that the list is presented as evidence of the urgent need for renewed and effective steps on the part of the Japanese Government to the end that the Japanese armed forces in China may exercise scrupulous care to avoid injury to American lives and property, and earnestly request that such steps be taken.

Shanghai repeat to Peiping and Chungking.

HULL

<sup>15</sup> Not printed.

<sup>16</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 476.

<sup>17</sup> *Ibid.*, p. 623.

393.1115/3687 : Telegram

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

WASHINGTON, October 17, 1938—6 p. m.

269. Canton's October 15, 11 p. m., in regard to refuge on Shameen of American citizens of the Chinese race. Upon the basis of Canton's telegram under reference, please take up the matter informally with the British Ambassador to China, through the American Consul General at Shanghai or other convenient agency.

Repeat to Canton.

HULL

393.115 China National Aviation Company/67 : Telegram

*The Consul General at Hong Kong (Southard) to the Secretary of State*

HONG KONG, October 18, 1938—11 a. m.

[Received October 18—7 a. m.]

Hostilities in South China have caused Eurasia Company partially to suspend its air services to and from Hong Kong which since recent resumption have been operated more or less regularly at night. Service henceforth will be irregular. On the basis of the Department's telegram of August 30, 7 p. m. and related correspondence, operations manager W. L. Bond of China National Aviation Corporation, with the assistance of this Office, approached the local Japanese Consul General with a view to a resumption of the China National Services. Japanese Consul General has stated in effect that his Government cannot guarantee safety of planes in a war zone and that as South China now has that status neither Eurasia nor China National could be given guarantees. He offered to refer the matter to Tokyo, but Mr. Bond has not indicated whether he wishes that done as Tokyo reply will doubtless confirm what Japanese Consul General has already said. Bond has now gone to Chungking in one of his planes which took off at night and we assume he does not consider it advisable to attempt resumption of regular service.

Repeated to Chungking, Peiping, Canton.

SOUTHARD

393.11/2115a : Telegram

*The Secretary of State to the Consul General at Canton (Linnell)*

WASHINGTON, October 18, 1938—noon.

1. Department desires to receive promptly by telegram a brief outline of the plans which you, in collaboration with our naval authorities,



have made for (a) the concentration of those Americans now remaining at Canton, and (b) their withdrawal as opportunity offers to places of greater safety.

2. With reference to your October 17, 3 p. m.,<sup>18</sup> Department assumes that in your opinion a route of egress via Shekkei and Macao is practicable and that you believe that withdrawal is safer than concentration at some point in Canton. You are of course keeping in mind the question of taking appropriate precautionary measures such as notification to the Chinese authorities and, through the Japanese Consulate General at Hong Kong, to the Japanese military authorities. You will also bear in mind the question of giving notices to the Japanese naval authorities in south China and possibly at Shanghai. It is suggested that in such notifications mention be made of the number of Americans withdrawing from Canton, the number and type and distinctive markings of conveyances used, the route of travel, the hour of departure and, if possible, expected times of arrival at various points en route. Before withdrawal is attempted effort should be made, if practicable, to obtain the cooperation of the Chinese and Japanese authorities concerned.

The Ambassador is authorized in his discretion and in the light of your subsequent reports to refer matters affecting the withdrawal or safety of Americans to Tokyo for presentation by the Embassy to the Japanese Government.

Please repeat to Chungking for the information and guidance of the Ambassador.

HULL

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393.11/2115: Telegram

*The Secretary of State to the Counselor of Embassy in China  
(Lockhart), at Peiping*

WASHINGTON, October 18, 1938—1 p. m.

285. Your 618, October 12, 4 p. m. The Department authorizes you to instruct Tsingtao that it is authorized to inform American citizens that, although they are under no legal obligation to furnish the information requested on the form prepared by the local authorities, they may voluntarily comply with the request for information by furnishing such data as they wish to furnish.

HULL

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<sup>18</sup> Not printed.

393.1163P92/146: Telegram

*The Second Secretary of Embassy in China (Smyth) to the Secretary of State*

NANKING, October 18, 1938—6 p. m.  
[Received October 18—3:10 p. m.]

170. American Presbyterian Mission in Nanking reported today that it had received a report from Chinese members of the mission at Tungtsing, Kiangsu, on the motor road from Nanking to Wuhu, stating that on the afternoon of October 15 more than 10 Japanese soldiers under the command of an officer drove up to the mission property in a truck, tore down the American flag flying over the chapel and burned it, then drove away in the direction of Nanking.

On August 31 this office took up with the Japanese Consulate General here a case of unauthorized entry into this property by Japanese soldiers and on September 7 that office informed us in writing that "the military police reported to me that a notice has been affixed in Japanese to make the protection of the property doubly sure." This notice was shown to the Japanese soldiers by the mission members on October 15 but the soldiers disregarded it, stating that the Japanese flag should be flown.

I addressed a note today to the Japanese Consul General here, communicating the report of the mission, requesting that a prompt investigation be made and asking that this office be informed of the resume [*result*] thereof. I stated that, if the investigation should confirm the report of the mission, I felt sure that the Japanese authorities would wish to offer an expression of regret over the desecration of the American flag.

There are no Americans on the property at Tungtsing but the mission here has complete confidence in the integrity of the Chinese members who reported the incident. The Japanese military, however, refused to accept the word of a reputable American citizen in the case of Dr. Thomson some months ago and there seems but little chance that they will accept the word of Chinese in the present case. I consider nevertheless that the matter should be pressed.

Sent to Shanghai, repeated to Peiping.

SMYTH

793.94/14089: Telegram

*The Secretary of State to the Consul General at Hong Kong (Southard)*

WASHINGTON, October 18, 1938—6 p. m.

Your October 15, 6 p. m., in regard to travel of Americans by motor car in areas of hostilities around Canton and Swatow, which you should repeat to Peiping with this reply for relay to Tokyo.

Please reply to the Japanese Consul General that on October 16 the American Ambassador to Japan, in response to two communications, reiterated to the Japanese Foreign Office the previously expressed attitude of the American Government that though American nationals have been and are being advised to take certain measures for their safety and for the protection of their property, and that so far as practicable and reasonable such nationals are doing so, nevertheless obligation to avoid injury to American lives and property rests upon the Japanese military authorities irrespective of whether American nationals do or do not take such precautionary measures; and that the American Ambassador added that the American Government expects scrupulous observance of the assurance given by the Japanese Government that it intends to respect foreign interests and to make the "best of efforts" to prevent any damage to them.

Repeat to Canton, Swatow and Chungking.

HULL

393.11/2116 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, October 19, 1938.

[Received October 19—1:20 p. m.]

Department's October 18, noon. The route via Shekki and Macao still appears quite safe. Numbers of people are going to Hong Kong from Canton and some coming here from Hong Kong via this route. The Chinese authorities have given me a note of instructions to the magistrate of Shekki to expedite the passage of Americans from Shekki to Macao by bus and these instructions will accompany groups of Americans I send to Shekki. I shall also notify Japanese authorities of every such movement through the Japanese Consul General at Hong Kong.

As suggested in my October 18, 4 p. m.,<sup>19</sup> it would be of great help if an American official could work at Macao to see that transportation is provided for such groups of Americans arriving at Shekki. I have asked Ambassador to allot to this office \$500 under authorization 62, 1939, to cover expenses of launch which I now have at Shameen.

In case of approach of Japanese to vicinity of Canton, arrangements have been made for those Americans who are willing to do so to come to the Consulate General and the loan has been arranged of the Standard Vacuum building next to this property for use as barracks for those who could not be taken care of on Consulate premises.

<sup>19</sup> Not printed.

Certain groups of Americans state they do not intend to come to Shameen. The American faculty of Lingnan University, which has now been given back to the American Foundation by the Chinese University, say they intend to remain at Lingnan.

At the request of an American-British volunteer committee I yesterday forwarded the Japanese Consul General at Hong Kong the committee's request that in the event of Japanese occupation of Canton, Lingnan, Pakhoktung, Holy Trinity School, Hackett Memorial Hospital and Canton Hospital be placed out of bounds for Japanese soldiers if the Chinese would give similar undertaking; the first 3 to be used as refugee areas for noncombatants and the latter 2 as medical refuges. No reply has been received as yet, I have also separately notified the Japanese authorities that Lingnan has been taken back by the American Foundation.

Some of the Presbyterian missionaries say they intend to stay as long as possible at Pakhoktung and a number of American doctors will remain at their hospital as long as possible. Every endeavor, however, will be made to induce these groups to concentrate on Shameen in case of necessity.

The *Mindanao* is of course remaining at Canton and the commander of the South China Patrol<sup>20</sup> and I are working together on this matter. Final steps to be taken will of course depend upon the course of events but it is believed eventualities have been considered and provided for as far as they can now be visualized.

LINNELL

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393.11/2120a : Telegram

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

WASHINGTON, October 19, 1938—7 p. m.

271. Canton's October 18, 4 p. m.<sup>21</sup> With reference to the arrangements which Canton states have been made for the placing of a naval sentry at the gate of Hackett Memorial Hospital, the Department questions the advisability of the plan. Although in emergencies naval personnel has fulfilled the function, when circumstances render it feasible, of assisting in the evacuation of Americans to points of concentration, the stationing of a sentry at an outlying point as in this instance would seem to be contrary to general practice. In our opinion the presence of a sentry at Hackett would not in the contingency mentioned by Canton ensure the immunity of the hospital and its occupants but would rather create a risk of involvement of our Navy

<sup>20</sup> Capt. John T. G. Stapler, U. S. N.

<sup>21</sup> Not printed.

with the combatants and would thereby tend to complicate the task of affording appropriate protection to American citizens in general.

If in the light of the foregoing you or the Consulate General at Canton feel there are circumstances which render the carrying out of the plan desirable, please telegraph your views in order that the Department may give the matter further consideration.

Please instruct Canton in accordance with the foregoing.

HULL

393.1115/3703 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, October 20, 1938—5 p. m.  
[Received October 20—3:25 p. m.]

Embassy's October 19, noon,<sup>23</sup> concerning Chinese-American citizens. I am making every effort to evacuate all such to Hong Kong and am having considerable success. If the Japanese come to Canton, those remaining have been instructed to go to Lingnan University where the American staff mission [is] staying. Radio communication between Lingnan and the U. S. S. *Mindanao* has been set up and in case of necessity boats of the *Mindanao* or other launches I now control will be used to bring the people from Lingnan to Shameen or in the case of Chinese-Americans to place them on a boat of some kind alongside the *Mindanao* unless in the interim permission is obtained to bring the latter also to Shameen.

LINNELL

393.11/2121 : Telegram

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

CHUNGKING, October 21, 1938—11 a. m.  
[Received 5:42 p. m.]

509. [Following to Canton:] Your October 18, 4 p. m.<sup>23</sup> I am separately repeating to you Department's 271 October 19, 7 p. m. to me. It is my considered opinion that it would be unwise to post a sentry as planned at the gate of the Hackett [Memorial] Hospital. Such naval force as you have should be used for the protection of American lives and American interests and you should state in explaining reason for withdrawal of such sentry that this is your reason.

Sent to Canton.

JOHNSON

<sup>23</sup> Not printed.

798.94/14129: Telegram

*The Consul General at Hong Kong (Southard) to the Secretary of State*

HONG KONG, October 21, 1938—2 p. m.

[Received October 21—7 a. m.]

Majority of information from our various and most reliable contacts in Hong Kong, excepting Chinese, indicates continued progress of Japanese in direction of Canton, including a movement flanking Chinese defences in order to reach that city also from the north. Lungmun, north of Tsengcheng, variously reported to be in Japanese hands. Japanese advance now appears to be within 25 miles of Canton. Reliably reported here that American hospital and church at Waichow unmolested and safe. I have been in touch with Shekki and have no information of congestion of American refugees there as indicated by Linnell but am at once sending representative of this office to that place to survey situation first hand. Japanese Consul General here has special soldiers to insure safety Americans in war zones and acts promptly on all my requests and recommendations. British Ambassador to China is in Hong Kong en route to Hankow via Indo-China.

Repeated to Canton, Chungking, Peiping.

SOUTHARD

394.1153 Smith Company, Werner G./66: Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, October 21, 1938—3 p. m.

[Received October 23—11:40 a. m.]

1356. My 1275 [1299], October 5, 7 p. m.<sup>24</sup>—wood oil of Werner G. Smith.

1. Japanese Consul General has replied to my previous communications on the subject in a letter the gist of which follows:

Reservation of rights of the American company for compensation for losses suffered in the original shipment at the present time is "regrettable", as there is no evidence of Japanese responsibility for those losses. Furthermore, as no concrete evidence of the American company's ownership of the wood oil, such as a bill of lading or consular invoice, has been presented, and as the wood oil was contained in baskets and transported in junks, an unlikely method of shipping for an American firm, the Japanese naval authorities at first were reluctant to permit the cargo as American owned. However, later, for the sake of amity between Japan and the United States, they "set

<sup>24</sup> Not printed.

aside" this question and made the offer of settlement by paying for the remaining amount of wood oil. It will be noted, therefore, that the Japanese naval authorities have never recognized the American ownership of the cargo.

In these circumstances, if the American firm believing their ownership of the wood oil has been recognized, claims compensation for losses suffered in the original shipment (at first stated as 250 tons and later as 280 tons), it will be necessary to go over the whole question from the beginning and to require clear proof of the Werner G. Smith Company's title to the cargo.

It is requested that the company be advised to withdraw its claim for compensation for losses suffered in the original shipment. The Japanese authorities "are prepared to consider the settlement of the case" if the American company gives assurances that a claim for the amount of the original amount will never be presented.

2. I am replying along the following lines:

The difference between Mr. Hidaka's statement to Mr. Lockhart (see Consulate General's 1016, July 20, 4 p. m.) and the present position of Japanese naval authorities regarding an ownership of cargo is hard to reconcile.

The question of responsibility for losses suffered in the original shipment is for eventual determination on its merits; unjustified claims will presumably not be pressed and reasonable ones should be paid.

However, I am prepared to inform the American company of the offer to purchase the remaining wood oil provided waiver is made of the claim for that portion of original shipment which has already been lost. Before presenting this offer to the company, I should like definite assurances from the Japanese authorities that prompt payment will be made at the price asked, i. e., 11 cents United States currency per pound, and that prompt steps will be taken to have the remaining cargo weighed by a public surveyor.

The apparent difference between the figures for the original shipment (250 tons at first and 280 tons later) could only be explained by telegram from Hankow, as, owing to the smaller figure being stated in long tons and the larger in short tons, no actual difference in weight exists.

3. I suggest that Hankow now enquire of Werner G. Smith Company whether they will accept the Japanese offer, so that if they accept I may be in a position to settle the case upon receipt of assurances from Japanese authorities that prompt payment will be made.

4. Sent to Hankow, repeated to Peiping and Nanking. By mail to Tokyo.

GAUSS

393.1163P92/149 : Telegram

*The Second Secretary of Embassy in China (Smyth) to the Secretary of State*

NANKING, October 21, 1938—5 p. m.

[Received 7:08 p. m.]

171. My 170, October 18, 6 p. m. Consul General Hanawa called this morning and said that upon the receipt of my note of October 18 he had taken up the matter at once with the Japanese military headquarters here which promptly undertook an investigation with the following findings:

A party composed of Special Service Section soldiers and regular soldiers was making a bandit inspection tour of the area in which Tungtzing is located; on inspecting the premises of the mission they did not see the Japanese proclamation and they concluded, inasmuch as there were no Americans around, that the flag was being falsely used by Chinese and they therefore took it down; it was not until after the flag had been burned that the Japanese proclamation was shown to them by the Chinese on the premises; they then realized that a serious mistake had been made and planned to report the matter to headquarters here but upon their return to Nanking on October 19 they found the matter was already being taken up by the Japanese authorities here; the actual tearing down and burning of the flag had been the act of Special Service Section men, one man in particular, who were very "repentant".

Consul General Hanawa expressed his sincere regrets over the desecration of the American flag. He stated that Major Onishi, head of the Special Service Section in Nanking, was prepared to call and express his regrets, and that Major Onishi had informed him that the guilty persons would be punished. Mr. Hanawa added that a formal reply to my note would be delivered tomorrow.

There is no question but that the American flag has been and is still often flown by Chinese over premises in which there is no American interest; furthermore, it is possible that the Japanese proclamation was not seen by the Japanese until after the flag had been torn down and burned. Although there can be no excuse for the desecration of the American flag at any time, I considered that in view of the above circumstances and the fact that the only testimony on the incident was Chinese (the acceptance of which by the Japanese military is most unusual), I should accept the offer of Major Onishi to call and express his regrets.

Major Onishi called this afternoon in full uniform, accompanied by Consul General Hanawa. He expressed his deep regrets over the desecration of the American flag and said that the guilty soldier had



been punished; he stated that this man had attempted to commit suicide last night. He added that special measures would be taken to prevent any such incident or any molestation of American property in the future. His remarks in Japanese were verified by Mr. Cooper, a Japanese speaking officer who was present.

I informed Major Onishi and Consul General Hanawa that I appreciated very much their expressions of regret as well as the spirit in which they were made. I added that I accepted them in settlement of the incident, subject to the approval of my superiors. I requested that a further proclamation be posted over the American premises at Tungtzing; this, it appears, has already been done, according to the American mission.

I respectfully recommend that the expressions of regret offered by these Japanese officials be accepted and that I be authorized to inform the Japanese Consul General that the matter is considered closed.

In view of the attitude shown by the Japanese authorities, and in view of the fact that the only supporting testimony is Chinese, I do not believe that any further action is necessary or advisable.

Instructions by radio will be appreciated.

Sent to Shanghai, repeated to Peiping. Shanghai please repeat to Tokyo.

SMYTH

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793.94/14145 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, October 21, 1938—6 p. m.

[Received October 23—7 a. m.]

Reliable foreign observers report that tanks flying the Japanese flag circled through the city and machine gunned some of the people. Evidently this was a flying column ahead of the Japanese forces.

Planes have been flying over the city continuously, chiefly observing and dropping pamphlets stating that good people will be accorded protection but that crooked persons will be punished, that the Japanese forces have now occupied North and Central China and have gained the confidence of the Chinese people there and enjoy their deep appreciation.

All shops are closed and the city is now practically deserted.

The Americans at Lingnan, Pakhoktung, Honam and Hackett Memorial Hospital still insist on staying in those places for the present. A number of Chinese-Americans have been sent to Lingnan, others were evacuated via Shekki and Macao this morning as reported

and others have left Canton for the interior. It is believed that none are now in Canton city.

Repeated to Chungking, Peiping, Hong Kong.

LINNELL

393.1115/3710 : Telegram

*The Consul General at Hong Kong (Southard) to the Secretary of State*

HONG KONG, October 22, 1938—9 p. m.

[Received October 22—5 a. m.]

Referring to your telegram of October 19, 10 [11] a. m.<sup>25</sup> about American-born Chinese on Shameen. I have talked with the British Ambassador who asks me to tell you that he is immediately taking the matter up by telegraph and will help all he can but is not in a position to say what the decision may be.

Sent to Chungking, Canton. Repeated to Peiping.

SOUTHARD

393.11/2122 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, October 23, 1938—noon.

[Received October 23—noon.]

7. Referring to the Embassy's telegram No. 509, October 21, 11 a. m. and Department's 271, October 19, 6 [7] p. m. to the Embassy [at the time] sentries were sent to Hackett Memorial Hospital the Chinese authorities were informed of the intention and made no objection.

The end sought was to guard against looting, retreating soldiers, help in case of fire and general disorganized conditions and particularly to give the Chinese nurses and staff a feeling of security so that they would not leave as the Chinese nurses and staff of all the other hospitals in Canton have done. The latter purpose was accomplished. Furthermore, until yesterday the Japanese had not agreed to recognize the hospital as a medical refuge. Now they have agreed and the sentries have been removed.

Sent to Chungking.

LINNELL

<sup>25</sup> Not printed.

393.115 Chase National Bank/2 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, October 24, 1938—3 p. m.  
[Received October 24—8:40 a. m.]

1365. 1. American steamship *President Coolidge* of the Dollar Line arrived at Shanghai yesterday afternoon and after taking on a number of passengers and loading 2587 boxes of gold and silver bullion valued at approximately \$3,500,000 United States currency was preparing to leave port early this morning. Late last night the master of the ship and this Consulate General were informed by the Customs that owing to a "misunderstanding" regarding the shipment of bullion the clearance of the vessel by the Customs must be postponed pending settlement of the question or as an alternative the ship might clear without bullion.

2. The bullion shipment was believed made by the Chase Bank, Shanghai to Chase National Bank of New York, San Francisco. The bank at Shanghai had applied at the Customs openly for permits to ship the bullion and they had been granted. The Customs also had issued the clearance for the ship and on the basis thereof it had been cleared at the Consulate General.

3. Upon investigation this morning I learn from the Commissioner of Customs that the permit for the export of the bullion had been granted at the Customs on the basis of a letter addressed to him by the Inspector General of Customs to the effect that this shipment was being made and that the Commissioner should authorize it on the application of the bank free of examination, equalization tax, export duty or other charges. Later, however, after the export and import permits had been granted by the Customs the Chinese Superintendent of Customs, an appointee of the so-called Reformed Government, had objected to the shipment as contrary to the orders of the Reformed Government and had required that the clearance of the vessel be suspended. In my conversation with the Customs Commissioner and his assistants the Japanese Administrative Commissioner described the situation as substantially that of *force majeure* and, being pressed by me, admitted that the action taken by the Superintendent of Customs had been at the instance of or with the support of the Japanese military authorities. I thereupon entered a strong oral protest with the Commissioner of Customs at the action of the Customs in suspending the clearance of the ship after it had been granted and after it had loaded its cargo openly under export permits duly issued by the Customs. I informed the Japanese Administrative Commissioner that I took a very serious view of this interference by the Japanese Armed Forces with an American vessel and its cargo which had been duly cleared by the Customs after the issuance of the export permits

and that he might so inform the Japanese military or naval authorities at whose instance the action was apparently taken.

4. I then called on the Japanese Consul General and informed him of the matter, stating that I did so because I had learned that the action had been taken at the instance of the Japanese armed forces. The Japanese Consul General was thoroughly familiar with the case. He stated that the Chinese reformed government who are in control in this area gave an order to the Commissioner of Customs that without their permission no export of bullion should be permitted and when the Chinese Superintendent of Customs learned of the matter the Commissioner was instructed not to allow the shipment of the bullion. He stated that the position of the Japanese authorities in the matter is that they are in a position to prevent the taking of this gold and silver out of Shanghai. He told me that his predecessor had instructed the Commissioner of Customs not to authorize the shipment out of Shanghai of arms and munitions and gold and silver. The issuance of the export permits for the bullion by the Customs must therefore be regarded as a mistake. He [made?] the further point that some time ago the Chinese Government nationalized silver and that all silver thereupon became the possession of the Chinese Government. He expressed the view that the Japanese Government is not in a position to make representations to the American Government in this matter. I reminded the Japanese Consul General that it was reported at the time that Japanese banks had refused to acquiesce in any nationalization of the silver in their possession and added that according to the information given to me by the Chase Bank this silver or most of it had been in the vaults of that bank for several years. I told the Japanese Consul General that I must protest most emphatically the interference of his military, naval, Consul General, authorities with the clearance and despatch of the American ship concerned after that ship had loaded its cargo under export permits obtained regularly and openly from the Customs and after customs clearance had been duly issued and that I must reserve all American rights in connection with the issue and with the loss and damage sustained by American interests in consequence of the action of the Japanese authorities. I added that I was reporting the matter immediately to the Department and to the Ambassador at Tokyo as I felt that a most serious view must be taken of this Japanese interference with the *Coolidge* and its cargo loaded and cleared under customs permits in the normal way.

5. The steamer's agents will probably proceed to unload the bullion in order that the ship may not be longer delayed. I told the agents that in view of the suspension of the clearance by the Customs I was not in a position [to] advise that the ship sail without a clearance.

6. The Chase Bank tells me that about half of the bullion has been in its vaults for several years as security for accommodations extended to the Chinese from time to time and that the Chase Bank has a definite and substantial interest in this silver. The bank admits that the balance of the bullion was received by them from other banks and added to the shipment. I was told by the bank about 2 weeks ago that it would make this bullion shipment and I then expressed serious doubt whether the Customs would or could permit it to be exported. When the Dollar Line manager consulted me in the matter some days ago before bringing in the *President Coolidge* I expressed the same doubt. I was therefore much surprised to learn that the export permits had actually been granted by the Customs. The Chase Bank inquired whether I could arrange for a marine guard during the transfer of the silver. I referred the bank to the commanding officer of the United States Marines and made no recommendation to that officer. Later the marine commander informed me that he had authorized the guard but had found upon investigation that only part of the silver was stored in the vaults of the Chase Bank, the remainder being in other foreign and Chinese banks and that he had been asked to provide guards to escort the bullion from the other banks as well as the Chase Bank. I expressed the emphatic opinion that if a guard were furnished by the marines it should not be used to escort silver from any other than American banks but that if the Chase Bank delivered the bullion to lighters on the waterfront as the property of that bank the marine guards on the lighters could not differentiate between bullion delivered from the vaults of one bank and that delivered from the vaults of another. I consider that the marine commander was correct in furnishing the marine guard on the lighters as had been done in the past in view of the disorderly conditions in the harbor and the possibility of interference with valuable cargo. There have been numerous piracies at the mouth of the Yangtze and valuable cargo on the river from Shanghai is exposed to possible depredations from the same disorderly elements.

Repeated to Tokyo and Peiping.

GAUSS

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393.115 Chase National Bank/3 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, October 24, 1938—6 p. m.

[Received October 24—2:19 p. m.]

1368. Reference my No. 1365, October 24, 3 p. m., regarding silver shipment on the *President Coolidge*. Japanese Consul General called on me this evening to extend his remarks of this morning by saying it

has been ascertained that the Inspector General of Customs instructed the Commissioner of Customs to pass the shipment free from export duty and equalization fee which in the opinion of the Japanese indicates that the shipment was made on behalf of the Chinese Government or that the Chinese Government would benefit therefrom. He added that the Japanese authorities have serious doubt as to the ownership and origin of the silver and gold and that they have rather exact information that the Chase Bank was asked by the Ministry of Finance of the Chiang Kai Shek government through the Central Bank of China at Shanghai to make the shipment. He also alluded to my statement this morning that the Japanese banks were reported at the time not to have assented to the nationalization of silver and stated that those banks did eventually assent to that measure.

2. The silver and gold is now being unloaded from the *President Coolidge* which is due to sail tomorrow morning.

Repeated to Tokyo and Peiping.

GAUSS

393.115 Standard Vacuum Oil Co./73 : Telegram

*The Secretary of State to the Counselor of Embassy in China  
(Lockhart)*

WASHINGTON, October 25, 1938—7 p. m.

291. Tsingtao's October 19, 10 a. m.,<sup>26</sup> discharge of bulk gasoline and kerosene by Standard Vacuum Oil Company. Please endeavor through an approach to the Japanese Embassy to obtain the permission requested by the Company and instruct Tsingtao to continue its efforts to that end. Point out that the Japanese statement that the harbor is "still under military and naval control and not yet open for full commercial use" is, in the circumstances, incomprehensible and unacceptable and that this interference with American trade is wholly unwarranted.

Repeated to Chungking. Peiping mail to Tokyo.

HULL

393.115 Standard Vacuum Oil Co./63 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, October 26, 1938—11 a. m.

[Received October 27—4 a. m.]

17. Standard Vacuum reports its vessel *Mei Heng* machine gunned October 19 in river at Changsha by Japanese airplane which dived over ship. Vessel hit by fire but no injuries or deaths. Planes later

<sup>26</sup> Not printed.

machine gunned immediate vicinity Socony pontoons. Vessels plainly identified as American. In Shanghai's [1344] October 17, 6 p. m.,<sup>26a</sup> Japanese naval memorandum, paragraph 4, compliments Standard Oil Company on steps taken to render its ships bearing on the question recognizable.

Shanghai repeat to Tokyo. Repeated to Peiping, Chungking.

JOSSELYN

393.115 Standard Vacuum Oil Co./65 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, October 27, 1938—6 p. m.

367. Hankow's 17, October 26, 11 a. m. attack on Standard Oil vessel. Department desires that you make vigorous representations, in such manner as you consider would be most effective, to the Japanese Foreign Office. Point out that, notwithstanding the fact that the vessel was plainly identifiable as American, an attack was made thereon, state that this Government must request that instructions be issued by the competent Japanese authorities which will prevent future attacks of this kind; and make an appropriate reservation with regard to American rights and claim for damages.<sup>27</sup>

The text of the Japanese naval memorandum referred to in Hankow's telegram may be found in Shanghai's 1344, October 17, 6 p. m.<sup>26a</sup>

Repeated to Chungking, Peiping and Hankow.

HULL

393.1163 Lutheran Brethren Mission/22 : Telegram

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

CHUNGKING, October 27, 1938—8 p. m.

[Received October 27—noon.]

516. Following message from [E.] A. [C.] Aandahl<sup>28</sup> at Tangho Honan, dated 7:20 p. m., October 26 received here.

"Tungpeh bombed Monday flag marked building deliberately destroyed, Mrs. Nyhus and Ruthie wounded, Phoebe killed, Nyhus unhurt, all here, advice requested."

Shanghai please inform Tokyo. Repeated to Hankow and Shanghai.

JOHNSON

<sup>26a</sup> *Ante*, p. 185.

<sup>27</sup> In telegram No. 697, October 31, 7 p. m., the Ambassador in Japan reported vigorous representations, supported by a formal note addressed to the Japanese Minister for Foreign Affairs (393.115 Standard Vacuum Oil Company/67).

<sup>28</sup> Probably Rev. Elliot C. Aandahl, Jr., of the American Lutheran Brethren Mission.

393.1123 Nyhus, Phoebe/4 : Telegram

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

WASHINGTON, October 27, 1938—6 p. m.

278. Your 516, October 27, 8 p. m. The implication is that the bombing was by Japanese planes. If there is any doubt as to nationality of the attacking planes, please investigate immediately. Please telegraph report on this point as soon as possible, repeating your reply to Shanghai for relay urgently to Tokyo. In case the bombing was by Japanese planes, Tokyo should make vigorous and urgent representations to the Japanese Government.

If you have not already done so, please instruct Shanghai and Hankow to bring this matter urgently to the attention of the appropriate Japanese authorities. The Department assumes that you and the Consulate General at Hankow are rendering all appropriate and practicable assistance.

Repeated to Shanghai and Hankow. Shanghai, please repeat to Tokyo.

HULL

393.1115 Chase National Bank/10 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, October 27, 1938—7 p. m.

368. Your 681, October 24, 11 p. m.<sup>29</sup>

1. You state that the Foreign Office reviewed to the Embassy representations made by the Japanese Consul General at Shanghai to Gauss, that "the Japanese Government formally protests against such shipment as an unfriendly act and urgently requests the American Government to do what it can to stop the shipment". The Counselor of the Japanese Embassy called at the Department on October 24<sup>30</sup> and stated, as under instruction from his Government, that the Japanese Government would look upon such shipment at this time as an "unfriendly act".

2. The simple and essential facts are that an American ship called at Shanghai; that an American bank at that place openly applied in the usual manner to the Chinese Customs for permits to ship the bullion and the permits were granted; that the Customs Administration issued clearance papers for the ship and on the basis of the Customs clearance the ship was cleared at the American Consulate General; that, because of numerous piracies at the mouth of the

<sup>29</sup> Not printed.

<sup>30</sup> Memorandum of conversation not printed.



Yangtze River and of the possibility of interference with the valuable cargo, the commanding officer of the United States Marines at Shanghai furnished, upon request of the American shipper, a marine guard on the lighters carrying the bullion from the Customs jetty to the American ship; that after the ship had been granted clearance and after it had loaded its cargo, under export permits duly issued by the Customs, the Customs suspended the clearance; and that this action was at the instance or under the influence of the Japanese military authorities.

3. I request that you call in person on the Minister or Vice Minister for Foreign Affairs and state that, in the light of numerous provisions of various treaties to which Japan and the United States are parties, and of the facts implicit in and attending the incident of the loading of the bullion on the S. S. *President Coolidge* at Shanghai, the detention of the ship, and the unloading of the bullion, your Government finds incomprehensible the formal protest by the Japanese Government and that Government's reference in the course thereof to an "unfriendly act". Please state that your Government does not perceive that any acts, either positive or negative, of any of its agencies or of any American nationals in connection with this incident was of a character which could rightfully be construed and characterized as "unfriendly acts"; that your Government considers that, if and in so far as there was in connection with that incident any action which might appropriately be characterized as an "unfriendly act" that action was action taken by agencies of the Japanese Government. And, state that your Government ratifies and reaffirms to the Japanese Government (a) the protest made by the American Consul General at Shanghai to the Japanese Consul General at that place against the interference of Japanese military and other authorities with the clearance, duly authorized by the Chinese Customs, of an American vessel and (b) the reservation made by the American Consul General of all American rights in connection with the matter and with the loss and damage sustained by American interests in consequence of the action of the Japanese authorities.

4. Please leave with the Minister or Vice Minister for Foreign Affairs an informal memorandum as record of what you state orally. This memorandum should follow closely the language used in paragraph 3 above.

Repeated to Chungking.

HULL

793.94/14220 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, October 28, 1938—9 a. m.

[Received 10:29 a. m.]

24. Robert Horiguchi, press liaison officer for the Japanese Army, denied last evening in conversation with a member of my staff the local rumor that Kuling has been occupied by the Japanese.

He remarked that blockading the people on Kuling was "as good a method of killing them off as any other." When asked whether he meant the Chinese or the missionaries, he replied "both". Questioned as to the basis of the animosity against missionaries, he answered "they report bombing adjacent to their property as being directed at them and they maintain schools which teach anti-Japanese propaganda. This however does not apply to the Catholics."

Repeated to Chungking, Peiping, Shanghai. Shanghai please repeat to Tokyo.

JOSSLYN

393.1123 Nyhus, Phoebe/8 : Telegram

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

CHUNGKING, October 29, 1938—11 a. m.

[Received 12:20 p. m.]

520. Department's 278, October 27, 1 [6] p. m. The Embassy assumed that Tangho whence telegram from A. Aandahl was sent was in Chinese occupation because telegraph communications had not been broken and that hence that area including Tungpeh would not have been bombed by Chinese planes. I have telegraphed A. Aandahl for verification of this assumption. The Chinese Aeronautical Commission has informed the Embassy categorically [that no] Chinese planes were sent to that area on October 24, the day of the bombing, and added that both Tungpeh and Tangho are in Chinese occupation. Such other information as the Embassy has currently been able to obtain regarding course of hostilities bears out last assertion. I have inquired what assistance the Embassy can render Nyhus family. Repeated to Shanghai and Hankow which offices should now carry out the Department's instruction under acknowledgment.

Repeated to Peiping, Shanghai repeat to Tokyo.

JOHNSON

393.115 Chase National Bank/11 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, October 29, 1938—11 a. m.  
 [Received October 30—8:20 a. m.]

692. Department's 367, October 27, 6 p. m., concerning attack on Standard Oil vessel; 368, October 27, 7 p. m. concerning bullion shipment by *President Coolidge*; 278, October 27, 6 p. m. to Shanghai [*Chungking*] presumably referring to Nyhus case were received last night. I feel that in order to achieve maximum effect these matters should be taken up with the Foreign Minister himself. I propose to seek an appointment with Prince Konoye at the earliest possible moment to make vigorous representations concerning attack on Standard Oil vessel and bombing of Lutheran Mission, Tungpeh, involving loss of American life as soon as I am informed by Shanghai that attacking planes were Japanese, and I shall at the same time make the desired statement in connection with the bullion case.

It is my opinion that these representations will have effect only if made directly to Prince Konoye. It is not always possible to see him immediately. Nevertheless, any brief delay is more than justified by insuring direct knowledge of these matters by the Prime Minister. There is of course no certainty that representations made to the Vice Minister will be brought to the attention of Prince Konoye who alone is in a position to bring pressure to bear on the military and naval authorities in China. To insure that he will be in position to have some knowledge of these cases when I call on him, these cases were taken up informally with the Foreign Office today and request made for an appointment for me to call on Konoye on Monday.

GREW

393.1123 Nyhus, Phoebe/6 : Telegram

*The Counselor of Embassy in China (Lockhart) to the Secretary of State*

PEIPING, October 29, 1938—noon.  
 [Received October 29—10:28 a. m.]

646. Chungking's 516, October 27, 8 p. m. and October 28, 9 a. m., Hankow's 25, October 28, 10 a. m.<sup>32</sup>

1. Map showing location of mission property at Tungpeh was furnished Japanese Embassy here with note dated March 3.

<sup>32</sup> Latter two telegrams not printed.

2. As the map went to the Japanese Embassy here, we are lodging with that Embassy in a note of today's date an emphatic protest against the "bombing of property known to be, and notified to the Japanese authorities as, American property occupied by Americans and marked with an American flag which resulted in the death of 1 American and the wounding of 2 others". Our note points out that "as a map of Tungpeh showing the location of the property was furnished the Japanese authorities over 7 months ago, there would appear to be no excuse for the bombing on the ground of lack of identification of the property". The note requests that (a) the Japanese Embassy "cause an immediate investigation to be made through the appropriate Japanese authorities with a view to fixing the responsibility for this unfortunate occurrence and to the taking of suitable measures in respect to those Japanese responsible" and that (b) the Japanese Embassy "kindly consult with the Japanese military authorities with a view to devising means to ensure that similar incidents do not again occur". The question of damages is reserved for later discussion.

3. Repeated to Chungking, Hankow, Shanghai, Tokyo.

LOCKHART

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793.94/14243 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, October 29, 1938—6 p. m.

[Received October 30—7 a. m.]

32. The British Consul General at Canton has just informed me that a message from the British gunboat *Robin* now at Wuchow says that the Chinese are planning to place a boom at Dosing, thus blocking the river approach to Wuchow. In Wuchow the people are panicky and fear the city will be burned. They also fear the retreating Chinese Army.

The British Consul General and I have sent identic messages to our respective nationals urging the women and children and all men who can be spared to come to Canton on three river boats now at Wuchow, the voyage to Canton to be under the convoy of the *Robin*, if there is in fact any danger of their being bottled up at Wuchow. Those who remain do so at their own risk.

The Japanese Navy today took over control of Canton harbor including the buoy office.

Repeated to Peiping, Chungking, Hong Kong.

LINNELL

793.94/14248 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, October 30, 1938—11 p. m.

[Received October 30—1:45 p. m.]

34. The British Consul General has just informed me that all the Americans finally decided to remain at Wuchow. The *Robin* started for Canton but the Japanese authorities have just notified the British Consul General that Japanese advance forces have seized Samshui in order to cut off all communication between Canton and Wuchow and they feared an incident if the *Robin* insisted on passing Samshui. The *Robin* has been instructed to await instructions at least 5 miles above Samshui.

Repeated to Chungking, Peiping, and Hong Kong.

LINNELL

393.1123 Nyhus, Phoebe/14 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, October 31, 1938—2 p. m.

[Received November 1—3 a. m.]

698. Department's 278, October 27, 6 p. m. to Chungking, Nyhus case. An essential garble in Chungking's 520, October 29, 11 a. m., having been straightened out by two telephone conversations with Gauss today, I made emphatic representations to the Vice Minister for Foreign Affairs after repeated efforts to see the Foreign Minister had failed. I said to Sawada that I regarded this as an extremely serious case because it involved not only the bombing of American property but the loss of American life; that it was only a wonder that greater loss of life had not occurred through the repeated bombings of American property in China ever since the hostilities began and that unless effective steps were taken to prevent such attacks in future that risk of further incidents of this nature would be continual, and I pointed out to him the deplorable effect which the inevitable publicity concerning the Nyhus incident would exert on American public opinion.

My oral representations were supported by a signed note addressed to the Minister for Foreign Affairs and couched in very strong terms.<sup>83</sup>

The Vice Minister after listening to my presentation said: "I agree with you that this is a very serious incident" and promised an immediate investigation.

GREW

<sup>83</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 627. For the Japanese reply, dated December 28, see *ibid.*, p. 632.

393.115/505 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, October 31, 1938—6 p. m.  
 [Received October 31—10:14 a. m.]

Japanese military and naval authorities are proceeding in an apparently orderly manner to occupy property for their use. Representatives from *gendarmerie* headquarters called yesterday and were allowed to copy data from the map in possession of this office showing American owned property insofar as it had been reported to this office. A memorandum was handed to them at the same time stating that the map did not purport to show all American owned or occupied property and making reservation of rights.

Sent to Chungking, Peiping.

JOSSELYN

393.115 Chase National Bank/14 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, October 31, 1938—6 p. m.  
 [Received November 1—3 a. m.]

696. Department's 368, October 27, 7 p. m., shipment of bullion on *President Coolidge*. As the Foreign Office stated that it was physically impossible for the Foreign Minister to receive me today, I saw the Vice Minister and fully carried out the Department's instructions, leaving with Sawada an informal memorandum as a record of my oral presentation setting forth the pertinent facts and then following closely the language used in paragraph 3 of the Department's telegram.

The Vice Minister replied that the permits for the shipment of the bullion had been issued by the Chinese Customs under a misunderstanding because the shipment of bullion had been prohibited both by the Provisional Government and by the Japanese military authorities. I replied that we do not recognize the Provisional Government nor the jurisdiction thereof nor do we recognize the authority of the Japanese military authorities touching this matter. The Vice Minister made no further comment.

Repeated to Chungking.

GREW

793.94/14264 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*CANTON, November 1, 1938—4 p. m.  
[Received November 1—1:20 p. m.]

38. Mr. Okazaki, Japanese Consul General, has arrived and opened his office in the French Concession. The Japanese military have today seized the customs cruisers moored off Shameen.

Representatives of the Japanese *gendarmerie* called on me today and received a map and description of the American properties and places in Canton where Americans are living. They promised to see that these are protected.

It has not been possible up to the present to make any arrangements for the movement of vessels, passengers or mail to or from Hong Kong and it is believed this matter will have to be dealt with by higher authorities than those now at Canton. Certain American official movements are awaiting opportunity, e. g., 10 American naval enlisted men are in Hong Kong awaiting passage to Canton and 6 on the *Mindanao* are to be transferred as soon as passage to Hong Kong can be secured. American Vice Consul Espy should proceed at once to Yunnanfu, and Consul General Myers<sup>34</sup> is expected to arrive at Hong Kong on November 3d.

Repeated to Chungking and Hong Kong.

LINNELL

793.94/14276 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*CANTON, November 3, 1938—9 a. m.  
[Received November 3—7:30 a. m.]

40. Reference is made to my 37 of October 31, 5 p. m.,<sup>35</sup> and preceding telegrams on the same subject; the British Consul General informs me that the *Robin* is now at Howlik with Mrs. H. E. Boyle and son, American citizens, and certain British subjects on board.

The Japanese authorities at Canton last evening again stated that the vessel would be stopped if she attempted to pass Samshui. The *Cicala* (see my 34, October 13 [30], 4 [11] p. m.) has now proceeded from Canton to Kongmoon and arrived there without incident.

Repeated to Chungking, Peiping and Hong Kong.

LINNELL

<sup>34</sup> Myrl S. Myers, to replace Consul General Linnell at Canton.

<sup>35</sup> *Anie*, p. 193.

893.102 Hankow/141 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, November 3, 1938—10 a. m.

[Received November 3—7:40 a. m.]

39. On October 30, the Japanese put into effect what is termed martial law in Special Administrative District Three, the former British Concession in which this office and my residence are located. All barricade gates are closed from 6 p. m. to 6 a. m. and ingress or egress forbidden. There is no apparent disorder in the city and the martial law applies only to Special Administrative District Three, freedom of movement apparently being permitted in other districts.

Because of the foregoing measure officers of the Consulate General living in the Special Administrative District Three who are on duty after 6 p. m. are unable to report for duty and naval orderlies are unable to carry messages to and from the *Luzon*.

I believe that this selective application of martial law and other minor obstructions represent the initial local steps in the larger Japanese policy of dislodging other foreign interests in China. If these preliminary encroachments affecting Americans are not the subject of vigorous representations I believe that there is a likelihood that further restrictions may be imposed more rapidly than they [otherwise?] would.

I have [therefore?] written today to the Japanese Consul General requesting him to note my emphatic objection to this restriction on the freedom of movement of American citizens, including American officials. I am informed that the acting British Consul General is also writing today along similar lines.

Repeated to Chungking, Peiping, Shanghai. Shanghai please repeat to Tokyo.

JOSSELYN

393.1123 Nyhus, Phoebe/16 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, November 3, 1938—1 p. m.

[Received November 3—8:30 a. m.]

1388. Reference bombing of American Mission at Tungpeh and Nyhus family. Japanese Consul General called yesterday and stated that military report discloses that Japanese planes bombed Chinese troops at Tungpeh on October 24 but pilots report they did not "remember" any foreign property there. Consul General stated that there was no deliberate attack on American Mission property, that



he regretted the unfortunate occurrence, and that investigation would be made by Japanese upon their capture of Tungpeh which is still in Chinese hands. I pointed out that the American Embassy at Peiping sent map showing this American property to Japanese Embassy on March 3 and that the Japanese military authorities should therefore have been aware of this mission property at Tungpeh.

Repeated to Chungking, Peiping, Tokyo and Hankow.

GAUSS

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793.94/14281 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, November 3, 1938—5 p. m.

[Received November 3—11:25 a. m.]

Following for Tokyo:

My 24, October 28, 9 a. m. British naval reports from Kiukiang indicate that foreigners on Kuling numbering about 125 persons, including 30 Americans, are in an ugly situation due principally to shortage of food among Chinese forces there who are said to number between 1,000 and 3,000. It is feared that soldiers may forcibly take supplies of food from foreigners with consequent disorder. Japanese have entirely surrounded mountains on which Kuling is situated but are making no move to occupy it, preferring apparently to let the situation develop. While total evacuation foreigners believed not practicable due to number invalids at Kuling, it is hoped certain number will leave if suitable arrangements can be made. To this end the assistance of the Embassy at Tokyo is requested to bring matter before Foreign Office and request that Japanese military authorities at Kiukiang be asked to render assistance to efforts of commanders [of] British and American naval vessels at Kiukiang to assist foreigners on Kuling. British Consul General here is also communicating with Tokyo.

Sent to Shanghai. Repeated to Chungking.

JSSELYN

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393.115 Hunt and Company, William/73 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, November 3, 1938—8 p. m.

[Received November 4—7:40 a. m.]

1391. I have received following letter from Japanese Consul General dated November 2:

“At the request of the Japanese naval authorities I have the honor to inform you of the following. Bund warehouses belonging to the China Merchants Steam Navigation Company at Hankow were found with American flag ‘William Hunt’ on them. However, these

being considered as property belonging to the Chinese Government, these have been seized by the Japanese naval authorities."

I have acknowledged receipt of the letter today and stated as follows:

"As Hankow is not within my consular jurisdiction, I am referring the charges to the appropriate American authorities for consideration. Meanwhile, I must reserve all American rights and interests in respect [to] all property displaying the American flag or marked as the property of American citizens or firms, and I must add that I am unable to countenance any action of your military, naval, or other authorities in entering upon or seizing any such property without prior reference to the American authorities concerned. Please so inform your naval authorities."

Repeated to Chungking, Peiping and Hankow.

GAUSS

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793.94/14291 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, November 4, 1938—4 p. m.

[Received 5 p. m.]

44. The Japanese Consul General, Katsuo Okazaki, called on me yesterday and also on other Consuls General. He stated that the Canton area was now a military zone and would be treated as such. It was the intention of the Japanese to isolate Canton completely and not attempt to rehabilitate it. Barriers and mines were being placed throughout the delta to prevent small junks et cetera from slipping through carrying information. The main channel of the Pearl River would be opened and it was thought that soon foreign war vessels would be allowed to move on giving notice of their intention as they did when the Chinese were in control.

I spoke to him of our desire to send an American boat to Hong Kong soon, probably the Standard Vacuum Oil Company tug *Comet* with Vice Consul Espy, certain United States Navy personnel and other Americans on board and he intimated that this might be arranged directly with the rear admiral in charge here; accordingly Captain Stapler, commander South China Patrol United States Navy, has made an appointment to call upon the rear admiral November 5 when the matter will be discussed.

Japanese authorities here will give no information concerning present disposition of troops or places where fighting is in progress but movements of Japanese troops and supplies continue thru Canton to the north along the line of the Canton-Hankow Railway and west toward Samshui.

A large number of transport vessels came to Canton yesterday loaded chiefly with supplies and some of them went on up the river toward Chungfa.

Repeated to Peiping, Chungking, Hong Kong.

LINNELL

398.1115/3785: Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, November 4, 1938—7 p. m.

381. Reference Hankow's November 3, 5 p. m., 30 Americans on Kuling. Please inform Department promptly of outcome of your approach to the Japanese authorities in regard to this matter. Department considers it highly desirable that the American naval commander at Kiukiang be enabled to work out with the Americans on Kuling arrangements for the departure of those who can and will leave and for such assistance to those remaining as may be practicable and appropriate under the circumstances.

Repeated to Chungking and Hankow.

HULL

893.70/47: Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, November 5, 1938—4 p. m.

[Received 5:05 p. m.]

1394. Reference Department's No. 546, September 22, 6 p. m.,<sup>36</sup> regarding Japanese demands on foreign cable companies. Following is reply of Japanese Consul General dated November 2nd to my letter written under authority of Department's telegram above mentioned:

"I have the honor to acknowledge the receipt of your letter of October 1st relative to the demands presented by Mr. Higashi, Secretary of the Special Service Section of the Japanese Army, to the Commercial Pacific Cable Company. Electric communication in Central China, formerly administered by the National Government and temporarily put under the control of the Japanese forces after their occupation of this part of China, has been taken over by the Central China Telecommunications Company since August this year when the said company was established under the supervision of the Reformed Government. Mr. Higashi has been negotiating with the foreign cable companies concerning various problems arising from the above circumstances as the representative of the Japanese forces in the administration of electric communication, and his notification to the Commercial Pacific Cable Company is as a matter of course

<sup>36</sup> See footnote 96, p. 482.

fully endorsed by the Imperial Japanese Government. I am convinced that the Imperial Japanese Government will respect the rights and interests legitimately acquired by the foreign cable companies at Shanghai. It is improper, however, that the company should take advantage of the confusion now prevailing in order to claim more rights than have been formerly granted by the National Government, and Mr. Higashi's demands regarding the transfer of the acceptance and delivery business and the checking office to the new company and the registration of the telegraphic addresses without warning are fully justified. And I approve also of his demand for the transfer of the terminal rate, inasmuch as it ought to be in the hands of the one who administers the communications business. In conclusion I have the honor to express my sincere hope that the pending matters will be settled satisfactorily by the parties concerned, as well as my firm belief that you will support my views stated above."

I will submit my views on this matter later after consulting my British and Danish colleagues.

Repeated to Tokyo, Peiping and Chungking.

GAUSS

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393.115 Hunt and Company, William/76 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, November 5, 1938—5 p. m.  
[Received November 5—11 : 35 a. m.]

47. Reference is made to telegraphic correspondence between the Department and the Embassy concerning the status of the property of China Merchants [Steam] Navigation Company which William Hunt and Company now claims to own or control. Today when commander of South China Patrol was discussing with Rear Admiral Sugikara the questions of sending a vessel flying the American flag to Hong Kong, the admiral brought up the question of the right of William Hunt and Company to fly the American flag over the property of China Merchants Navigation Company. As reported in my telegram March 29, 4 p. m.,<sup>37</sup> the flag has been placed by William Hunt and Company on a wharf and warehouse property of China Merchants Navigation Company at Pakhoktung.

The admiral said that the Japanese Navy considered that William Hunt and Company had no rights to display the American flag over those properties and intimated that the Japanese Navy was considering taking the properties over.

Instructions are requested in the premises.

Repeated to Peiping, Chungking, Hong Kong, Shanghai.

LINNELL

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<sup>37</sup> Not printed.

393.1115/3794: Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, November 6, 1938—11 a. m.

[Received November 6—7 a. m.]

Our 706, November 5, 2 p. m.,<sup>38</sup> reference Kuling situation. The Foreign Office states that instructions were sent yesterday to the Japanese naval and military authorities at Kiukiang to consult with American and British Commanders with a view to rendering assistance.

Sent to Hankow, repeated to Chungking.

GREW

393.115/509: Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, November 8, 1938—3 p. m.

[Received November 8—8:40 a. m.]

47. Following letter, dated November 7, received today from Japanese Consul General.

"I have the honor to inform you that the Japanese military authorities earnestly desire that you will be good enough to bring the following to the notice of your nationals at Hankow in order to prevent any change of the situation for the worse and to avoid any unexpected trouble. Considering that the situation has not yet been settled, though the Wuhān District has been occupied by the Japanese Army and Navy, the nationals of third powers are requested to pay special attention to the following,

- (1) instructions of sentries must be respected and prohibited areas should not be attempted to enter;
- (2) a pass is necessary for going out of and coming into the former Concessions and French Concession area. After the curfew hour, the pass is also necessary for the passage through the gates in the above mentioned area;
- (3) the regulation of light control must be respected when it is enforced by the Japanese military authorities;
- (4) any complaint of Japanese troops and soldiers must be brought not to the soldiers concerned directly, but to the Japanese military police or to the Japanese Consulate General in order to avoid misunderstanding."

The restriction or [on?] freedom of movement particularly in respect of item number 2 above (see also my telegram 39, November 3, 10 a. m.) makes it imperative for this Office either to object to these restrictions and to refuse to consider them applicable to Americans or

<sup>38</sup> Not printed.

else to inform American citizens thereof and probably to assist them to apply for the necessary passes, as I understand that the Japanese have informed certain Americans that applications for passes should be made through this Office. The Department's instructions are requested regarding which course I should adopt in the premises.

Repeated to Chungking and Peiping.

JOSSELYN

793.94/14322: Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, November 8, 1938—4 p. m.  
[Received November 8—10:40 a. m.]

48. The conduct of Japanese troops in the former British Concession continues orderly. The restrictions referred to in my 39, November 3, 10 a. m., continue to be rigidly enforced.

In other sections of Hankow and Wuchang excluding the French Concession, Japanese soldiers have indulged in looting and occasional violence towards the native population. Wuchang is apparently worst affected. Wholesale pillaging had not ceased on November 4, the date of the latest message from Wuchang. Three attempts on November 1st and 2d to loot buildings of the American Church Mission Hospital and molest staff members were frustrated by the intervention of an American doctor.

Other American Church Mission properties in Wuchang all of which are housing refugees have been broken into and ransacked, but to what extent is not yet known. Caretakers of these properties have been maltreated.

The assistant chief of the Navy's Special Service Section stated yesterday that Japanese sentries have been ordered to deny Chinese entry to the French Concession.

Repeated to Chungking, Peiping.

JOSSELYN

393.115/512: Telegram

*The Secretary of State to the Consul General at Hankow (Josselyn)*

WASHINGTON, November 8, 1938—6 p. m.

11. Your 47, November 8, 3 p. m., restrictions on activities of American citizens at Hankow.

1. In view of the fact of Japanese military occupation of Wuhan and of the exercise by the Japanese military of police functions there it would appear desirable that American citizens in that area comply

as a matter of expediency with reasonable police regulations issued by the Japanese military authorities.

2. British interests and concern with the question of Special Administrative District Number Three are larger and more direct than are American interests and concern. Moreover, the French have a special interest by reason of their own Concession. The Department therefore feels that, if the action taken by your British and French colleagues in regard to their nationals does not conflict with the general attitude outlined in paragraph 1 above, your action in regard to restrictions on the movements of American citizens should conform to that of your British and French colleagues. In this connection the Department offers for your consideration the suggestion that you say informally to the Japanese Consul General that attempts to impose onerous and irksome restrictions upon American citizens are bound to cause resentment and point out the desirability of their making the regulations in question as simple and as little restrictive as possible and terminating them completely at the earliest practicable moment.

Repeated to Chungking and Peiping.

HULL

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393.115/510 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, November 9, 1938—3 p. m.

[Received November 9—9 a. m.]

50. My 47, November 8, 3 p. m. During call on Japanese Consul General today he gave me a sample of an identification card which he states "it is advisable but not obligatory" for all Americans to obtain through the American Consulate General. These cards, which he stated will be printed next week, show name, age, nationality, address and occupation of holder, also spaces for photograph and for stamp of this Consulate General in addition to stamp of Japanese Consulate General. He stated that this card is not a pass to enable holder to go outside the former Concession areas but is to ensure freedom of movement within such areas and that a separate pass issued by the Japanese military will be necessary for an American to proceed to any place outside the former concessions.

Repeated to Chungking, Peiping.

JOSELYN

393.1123 Nyhus, Phoebe/21 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, November 10, 1938—noon.

[Received November 10—7:45 a. m.]

1402. Reference my No. 1388, November 3, 1 p. m. regarding bombing of American Mission at Tungpeh. Japanese Consul General called on me last evening and stated that further military reports received show that when Japanese troops were pushing south from Sinyang toward Hankow the Chinese forces had concentrated at Tungpeh with the intention of launching an offensive against the Japanese column and Japanese planes were sent on the morning of October 24 to bomb the western portion of Tungpeh, heavy anti-aircraft fire prevented the planes from flying low enough to distinguish objectives, that the Japanese Army had been aware of the presence of an American church at Tungpeh but the forces had no detailed map of the village so the exact location of the American Mission was not known, that reconnoitering planes had been sent several times after the 13th of October to locate the mission but heavy anti-aircraft fire had prevented them from flying low enough to distinguish any marks or to find the mission, that the bombing of the mission was not deliberate, that he again expressed the regret of the Japanese military and that the Japanese authorities are ready to take proper steps to compensate for the damage done. He said that the Japanese have not yet taken Tungpeh.

Repeated to Chungking, Peiping, Tokyo and Hankow.

GAUSS

393.1164 University of Shanghai/78 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, November 10, 1938—9 p. m.

[Received November 10—7:24 p. m.]

1408. Reference my No. 1385, September [November] 2, noon [11 a. m.],<sup>89</sup> regarding University of Shanghai.

1. Ten American members of the Administrative Commission and faculty of the university accompanied by an American Consul and Japanese consular, military and naval officers visited the university on the afternoon of November 7th. The buildings were found to have been damaged by shells, bombs and concussion but the extent of the damage was not as great as had been expected. Shell holes and shattered windows have exposed the buildings to further damage

<sup>89</sup> Not printed.



from rain and storms. About one-half to two-thirds of the library was found intact but for the most part all other buildings including dormitories, classrooms, laboratories appear to have been looted of equipment, furniture and everything of value.

2. The mission representatives now ask permission to remove all books, furniture and other equipment in the buildings. I am taking this up with the Japanese Consul General.

3. The Japanese authorities continue to maintain that it is not possible to permit the mission to reoccupy the property as it is in prohibited military area from which all persons including unauthorized Japanese are excluded.

By mail to Tokyo, Peiping, Chungking.

GAUSS

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393.115 Hunt and Company, William/86 : Telegram

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

WASHINGTON, November 11, 1938—noon.

291. Reference Canton's 47, November 5, 5 p. m., property of China Merchants Steam Navigation Company which William Hunt and Company now claims to own. Please instruct the American Consul General at Canton that the Department has not found the property indicated in the telegram under reference to be entitled to American protection. The Consul General should implement the Department's decision only to the extent necessary to interdict American protection of the property in question. The Department's decision involves neither an admission nor a denial of the existence of any interest on the part of William Hunt and Company in the property of the China Merchants Steam Navigation Company and the Consul General should avoid any statement which might convey a contrary impression.

Repeated to Shanghai and Hankow.

HULL

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393.115 Hunt and Company, William/81 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, November 11, 1938—1 p. m.

[Received November 11—7 a. m.]

56. Reference is made to my 47 of November 5 and 54 of November 10.<sup>40</sup> I have now to report that the looting of the godown by Chinese

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<sup>40</sup> Latter not printed.

continued up to this morning, when Consul General Okazaki called on me and said that the Japanese naval authorities had noted the looting, entered the godown and found 2 dead Chinese and 2 wounded. He said the Japanese authorities claimed the right to take over the property as belonging to China Merchants Steam Navigation Company and that the naval authorities were anxious to do this at once but did not want to interfere with the American flag flying over it without consultation with American authorities. He said however that the Japanese Navy intended immediately to place a guard on the property to prevent further looting and agreed with me to have representatives of the American Consulate General, the American Navy and the Japanese Navy go together to the property to inspect and note the present condition of the property and contents. This is being arranged.

A boat from the *Mindanao* went to the property today and sent a wounded Chinese to the hospital and is guarding the property pending its occupation by a Japanese naval guard.

I would ask that instructions in this matter be sent me as soon as possible.

Repeated to Chungking, Peiping and Hong Kong.

LINNELL

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393.115 Hunt and Company, William/84 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, November 12, 1938—11 a. m.

[Received November 12—2 a. m.]

58. Referring to my telegram No. 56 of November 11, an inspection was made of the godown and buildings yesterday and their condition and contents noted in a general way. The principal contents appeared to be about 8,000 bags of sugar, barbed wire and cement.

The sugar bags were marked in Chinese characters meaning Kwangtung Provincial Shitau Sugar Factory.

The inspection was made by Consul Krentz and a clerk of this Consulate General, Lieutenant Clark of the *Mindanao*, 2 Japanese naval officers and an interpreter.

After the inspection the guard from the *Mindanao* was withdrawn and a Japanese naval guard substituted.

Repeated to Chungking and Peiping.

LINNELL

393.115/514: Telegram

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

CHUNGKING, November 14, 1938—11 a. m.

[Received November 14—7 a. m.]

541. Shanghai's November 8, 8 p. m., transmitting Tokyo's 713, November 8, 1 [2] p. m.<sup>41</sup> Following is text of a circular letter dated November 12 which is being circulated to American nationals in Chinese held areas of Central and Western China.

"The American Embassy has received, through the American Ambassador at Tokyo, a translation of a formal circular communication from the Japanese authorities dated November 7th, 1938 in which it is stated that 'the hostilities in China will henceforth gradually expand further toward the west, and Shensi Province, Hupeh Province and Hunan Province are in many cases [*in the near future*] to become areas of hostilities. Further, even west of the above mentioned areas up to a line connecting Suchow (Kansu), Batang (Sikang) and Tali (Yunnan), military objectives in Chinese territory are to be subjected to attack by Japanese military airplanes'. The Japanese authorities therefore request that appropriate measures be taken in relation to the following desiderata, with a view to the protection of the lives and property of American and other third country nationals in those areas:

- (1) that travel by American nationals is to be undertaken at the risk of the travelers concerned;
- (2) that in order to ensure their safety, the withdrawal of American nationals to safe areas is desired where possible;
- (3) that the Japanese authorities request that they be notified in ample time of the property interests of American nationals in these areas, and that such property be very clearly marked so as to be visible from the air and from the ground. The Japanese authorities declare, in this connection, that they cannot assume responsibility for the protection of Chinese property which is deliberately transferred to the names of nationals of third countries;
- (4) that the Japanese authorities assert that they cannot assume responsibility for the protection of the property of third country nationals which is utilized by, or is in close proximity to, Chinese military forces.

It is believed that a number of American nationals in Central and Western China have complied with the request contained in item 3. American nationals who have not done so are urged to mark their property in a distinct manner so that it can be easily identified from the ground and from the air. Further, American nationals in Central and Western China who have not submitted maps showing the location of their property are urged promptly to prepare such maps

<sup>41</sup> Not printed; but for Japanese note of November 7 see *Foreign Relations, Japan, 1931-1941*, vol. I, p. 628.

in as much detail as possible and to submit four copies of each to this Embassy or to the American Consul at Yunnanfu for transmission to the Japanese authorities.

The American Embassy, in transmitting the foregoing Japanese desiderata to American nationals in West China, desires to point out that such action is not to be construed as signifying American official sanction or recognition of such requests and declarations; it is merely an action calculated to put American nationals on notice as to Japanese intentions and desires.

The American Embassy desires to take this opportunity, however, to recall the advice tendered by the American Government, through its representatives in China, following the outbreak of hostilities: namely, that American nationals in areas where hostilities were likely to occur or where transportation facilities might be suspended were urged where practicable to withdraw to places of safety, such advice applying particularly to women and children and to men who could leave without great inconvenience. The American Government continues to adhere to that policy; accordingly, the Embassy would urge that American nationals in West China bear this in mind when given [*giving*] consideration to the Japanese desiderata as outlined above."

Yunnanfu is being instructed to circulate a similar letter to American nationals in the Yunnanfu Consular District.

Repeated to Peiping and Shanghai, Shanghai please mail to Tokyo.

JOHNSON

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394.1153 Smith Company, Werner G./71 : Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, November 14, 1938—6 p. m.

616. Your 1356, October 21, 3 p. m., and Hankow's October 24, 1 a. m.,<sup>42</sup> wood oil. Under date of November 10, 1938, the Werner G. Smith Company informed the Department that it would like to have the American authorities make one more effort to reach an agreement with the Japanese authorities for the payment by them for the entire original shipment consisting of approximately 240 long tons. Failing such an agreement the Werner G. Smith Company authorizes settlement upon the basis of payment by the Japanese for the remaining part of the shipment consisting approximately of 120 short tons and the waiver by the company of any further claim by it for payment for the missing part of the original shipment.

Repeated to Chungking, Peiping, Nanking and Hankow.

HULL

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<sup>42</sup> Latter not printed.

393.1123 Nyhus, Phoebe/25 : Telegram

*The Counselor of Embassy in China (Lockhart) to the Secretary of State*

PEIPING, November 15, 1938—3 p. m.  
[Received November 15—8:30 a. m.]

680. My 646, October 29, noon.

1. A note was received from the Counselor of the Japanese Embassy dated November 11, stating that this Embassy's note had been promptly transmitted to the Japanese Consulate General [*military authorities*] in Peiping which in turn had referred the matter to the Japanese Consul General in Shanghai for investigation. The Japanese note stated that an expression of regret was communicated to the American Consul General in Shanghai by the Japanese Consul General and that "the bombing of the mission was absolutely unintentional". The note concluded, "I also desire to take this opportunity in expressing my profound regret to you for the happening of this misfortune".

2. A further note has now been received from the Japanese Embassy setting forth information substantially in accord with Shanghai's 1402 of November 10, noon. Copies of the two notes will be forwarded by mail.<sup>43</sup>

Repeated to Chungking, Hankow, Shanghai, Tokyo.

LOCKHART

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393.1163 American Church Mission/50 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, November 15, 1938—4 p. m.  
[Received November 15—2:03 p. m.]

65. Yesterday morning I received a letter for [*from?*] Dr. Logan Roots of the American Church Mission Hospital, Wuchang, reporting that he had on November 13th been called to St. Michael's Church of the same mission in which Japanese soldiers had trespassed and from which premises they were driving out refugees. At the church Roots states that after preliminary remonstrances he "tried to close the gates and stop the women being dragged off". This action angered the Japanese who thereupon "hit the United States flag on the gate with their fists and threw carbolic acid in my face". (It has been subsequently learned that disinfectant solution was thrown and that Dr. Roots was not injured.)

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<sup>43</sup> Neither printed.

I immediately despatched yesterday morning by messenger a letter to the Japanese Consul General reporting the incident and requesting that arrangements be made for a member of my staff to visit Wuchang "at the earliest possible moment" to investigate the matter. I have thus far, as in the case of all my previous communications addressed to him, received no reply. Yesterday morning an officer of the United States Consulate General orally asked a Japanese Vice Consul to attempt to make arrangements for a visit to Wuchang this morning. No such arrangement was made. The same officer this afternoon called at the Japanese Consulate General and its military liaison office and, expressing a hope that the matter might be expeditiously and locally settled, requested facilities for visiting Wuchang this afternoon.

This request was refused on the grounds that arrangements must first be made with the military authorities in Wuchang and that communications between Hankow and Wuchang are very slow. It was stated that a member of my staff will probably be able to visit Dr. Roots tomorrow afternoon.

Repeated to Chungking, Peiping. Peiping please repeat to Tokyo.

JOSSELYN

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893.70/49 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, November 16, 1938—8 p. m.

[Received November 16—3:50 p. m.]

1416. Reference my No. 1394, November 5, 4 p. m., regarding Japanese demands on the foreign cable companies. The three foreign cable companies have now submitted to their consular representatives a memorandum in the following sense: their only concern is the continued effective operation of their services without disturbance from the *de facto* authorities and protection against an eventual claim from the Chinese authorities that the companies have without warrant broken their agreements with the National Government and against a double claim for the monthly revenue balances. As the companies are unable to persuade the Japanese authorities to allow a continuance of the *status quo* pending cessation of hostilities, they consider that the only alternatives are: (1) for the respective Consuls General to insist on maintenance of the *status quo*, at the same time making it clear to the Japanese Government that the responsibility for this decision rests with their respective governments and not with the companies, or (2) that the respective Consuls General advise the companies that in the circumstances prevailing, there is no alternative but for the companies to comply with the Japanese demands under *force majeure*.

The memorandum concludes that if the first alternative is chosen the companies would have to rely upon effective protection from their respective governments or possible interference by the *de facto* authorities with the operation of the cable services, while in the second alternative, the companies would not run any risk of such interference and at the same time they would presumably be protected under *force majeure* for eventual claims from the Chinese authorities.

2. The Japanese letter and the companies' memorandum were considered at a meeting this morning of the Danish Minister, the British and Danish Consuls General, the British Commercial Counselor of Embassy, and myself and it was agreed that matter should be reported for the instructions of our respective governments with the general suggestions that reply should be sent to the Japanese Consul General declining to recognize the Central China Telecommunications Company, refuting the Japanese statement that the cable companies are taking advantage of the confusion now prevailing in order to claim more rights than formerly granted them by the National Government, and pointing out that certain adjustments to meet the local situation have already been made by the cable companies at the instance of the Japanese military and that no further adjustments appear reasonably necessary pending the termination of hostilities when a regular and orderly settlement of any questions should be possible. It is further suggested that such reply if and when sent to the Japanese authorities might be communicated to the cable companies with the statement that the responsibility of decision in respect to specific arrangements for the continuance of cable services must rest with the concerned company but that if the company should decide in any case that it is not in a position to meet the wishes of the Japanese authorities their government is prepared to give such support as may be possible by way of diplomatic representations to the Japanese authorities or government.

Repeated to Tokyo, Peiping and Chungking.

GAUSS

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393.1163 American Church Mission/51 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, November 17, 1938—6 p. m.

[Received November 18—7 a. m.]

70. My 65, November 14 [15], 5 [4] p. m., Roots case. This afternoon the military liaison officer of the Japanese Consulate finally made arrangements for a member of my staff to accompany him and a Japanese Vice Consul to Wuchang to see Dr. Roots.

The circumstances of the incident at St. Michael's Church as orally recounted by Roots to Vice Consul Davies were as stated in my num-

ber 65. Roots attributes the disrespect to the American flag and the deliberate spraying of carbolic-phenol solution in his face [more?] to a desire on the part of the Japanese to punish him than an act of violence towards them [*him?*]. Roots is of very even and controlled disposition and kept his temper.

The issue seems to me to be, firstly, trespass on American property, secondly, disrespect to the American flag, thirdly, action intended to harm an American citizen and, fourthly, obstruction by the Japanese authorities to this office in its desire to establish contact with an American citizen.

The Japanese Consulate General and military liaison office display every indication of wishing the case to be considered closed. If the Department perceives no objection I am prepared to write the Japanese Consul General stating that I am willing to consider the incident closed on the understanding that effective measures will be taken to prevent a recurrence of similar cases and on the understanding that if in the future this office desires to communicate with an American citizen prompt facilities to do so will be extended where necessary.

Sent to Chungking, Peiping. Peiping please repeat to Tokyo.

November 18, 7 a. m. This message was delayed in transmission due to the inability to pass Japanese barricades after 6 p. m., for delivery to the U. S. S. *Luzon*.

JOSSELYN

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394.1153 Smith Company, Werner G./73 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, November 18, 1938—7 p. m.

[Received November 19—4 a. m.]

1423. My 1415, November 16, 5 p. m.,<sup>44</sup> wood oil.

1. I have received a letter from the Japanese Consul General stating "that the Japanese naval authorities will promptly pay the price asked by the Werner G. Smith Company, i.e. \$0.11 (11 cents) United States currency per pound for the remaining cargo after it was weighed by a public surveyor provided that the Werner G. Smith Company waive all claim for the portion of the original shipment which has already been lost." The letter continues to the effect that there now seems to be "some means of disposing of the said wood oil at Nanking and the Japanese naval authorities are willing, should the company so desire, to deliver the remaining cargo to the company at Nanking with clear understanding that the cargo shall not be brought down the Yangtze to Shanghai," and concludes with a request for a reply from the American firm concerned.

<sup>44</sup> Not printed.



2. I have no information of any commercial market at Nanking for the wood oil.

3. I feel it would be useless to renew representations for payment by the Japanese for the original shipment of approximately 240 long tons and might weaken our position on other matters.

Repeated to Chungking, Peiping, Hankow and Nanking. Code text by mail to Tokyo.

GAUSS

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393.115 Hunt and Company, William/96 : Telegram

*The Consul General at Canton (Myers) to the Secretary of State*

CANTON, November 20, 1938—1 p. m.  
[Received November 20—7:30 a. m.]

65. Referring to the Department's telegram No. 291, November 11, noon, to the Embassy and Canton's 54, November 10th;<sup>45</sup> 56, November 11th; 58, November 12th. During a call on the Japanese Consul General on November 18 by Mr. Linnell and myself the matter of Hunt and Company's interest in the local China Merchants [Steam] Navigation Company property was raised by the Consul General. He stated that the Japanese authorities were satisfied that Hunt and Company were not the owners of the China Merchants' godown and wharf properties here, that the local naval authorities desired to take over this property but that being anxious to avoid the seizure of American property they wish to ascertain whether Hunt and Company were owners of the contents of the godowns or any part thereof. He was informed that this office had no information concerning Hunt and Company's interest if any in the contents of the godowns but that if any information in regard to that is obtained it will be brought to his attention. The Consul General intimated that the naval authorities could be expected to take over property in question (and also godown and wharf properties) soon unless it were foreign owned as indicated in my telegram November 12, 11 a. m. This office has no reason to believe that the property within the godown is American owned. At present the Japanese are in control of godown and wharf properties and are displaying a Japanese flag on a short pole but have not interfered with American flag still flying from main flag staff on property. Although it would appear to be desirable to remove the American flag from this property it seems that any action on our part to effect such removal might be misunderstood. In view of all the circumstances in this case this office does not propose to take any action with a view to removing the flag at this time or to obtaining the information desired by the Japanese but suggests that the Department

<sup>45</sup> Telegram No. 54 not printed.

might deem it advisable to ask Shanghai to give China Merchants Navigation Company an opportunity to show whether contents are American owned.

Repeated to Chungking, Peiping, Shanghai.

MYERS

393.115 Chase National Bank/23 : Telegram

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

CHUNGKING, November 21, 1938—11 a. m.

[Received November 22—7 a. m.]

558. Following informal letter received from Kung, Minister of Finance, under date of November 16 :

“The recent refusal of the Japanese authorities and/or their agents to allow the *President Coolidge* to sail from Shanghai with a cargo of silver belonging to the Chase Bank is particularly important in my opinion, because it involves an attempt by the Japanese authorities to stop trade between China and the United States, although such trade is permitted by the regulations of the lawful Government of China. The logical conclusion of this action, if allowed to stand, is the regulation of Sino-American trade in the interests of Japan, insofar as the Japanese for the time being have the power to carry out such measures.

If the Japanese are permitted to ‘get away’ with this interference it will undoubtedly be used by them as a precedent for further action detrimental to the interests of both China and the United States. I very much hope therefore that the action taken by the American Government in connection with this and other similar matters will result in the removal of such interferences with Sino-American trade.

I should greatly appreciate being advised of further developments.”

I have replied simply stating contents have been reported to the Department.

Shanghai send true reading to Tokyo.

JOHNSON

793.94/14377 : Telegram

*The Consul General at Tientsin (Caldwell) to the Secretary of State*

TIENTSIN, November 21, 1938—6 p. m.

[Received November 21—1:55 p. m.]

217. My October 17, 4 p. m., and political report for October transmitted with my despatch 677.<sup>46</sup> Within a week an American and a German have been fired at in the Race Club grounds during daylight by unseen assailants whose motive remains obscure, and

<sup>46</sup> Neither printed.

there has been frequent firing at night in the area outside the Concessions and adjacent to the Race Club. Most of the foreigners resident in this area are British and German but there are two American families there and, of course, many Americans use the Race Club. The Race Club has now hired and posted its own armed guards.

Repeated representations have been made by the consular representatives, including myself, to the Chinese police who have promised but have not given adequate protection; British and German Consuls General have made informal representations to the Japanese and the matter was discussed at a consular body meeting at which time the Japanese consular representatives promised to look into the situation, but conditions have not improved. It appears that no effective measures will be taken by the Chinese police unless in cooperation with or under the orders of the Japanese, and the British Consul General is now sending a communication to the Japanese Consul General stating that prior to the present hostilities order was preserved in this area by armed Chinese police; that as the Japanese do not allow arms to an adequate force of Chinese police he will hold the Japanese responsible for the safety of British nationals, and calling upon the Japanese to ensure adequate protection. I understand that this course has already been followed by the British with regard to the Kailan Mining Administration property at and near Tongshan.

The French and German Consuls General are prepared to send similar communications to the Japanese Consul General, but before sending a communication of the same nature on behalf of American nationals I wish to be informed whether either the Embassy or the Department perceives any objection as a matter of principle to my doing so.

The obvious alternatives to asking the Japanese to ensure protection are the withdrawal of the two American families from that area or the posting of marine guards on their property in case the situation should seem to warrant either course. Neither of these courses would be more than a temporary emergency measure and would not materially affect the safety of Americans using the Race Club.

Sent to Peiping.

CALDWELL

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393.1163 American Church Mission/54: Telegram

*The Secretary of State to the Consul General at Hankow (Josselyn)*

WASHINGTON, November 21, 1938—7 p. m.

19. Your 70, November 17, 6 p. m. Unless the Japanese authorities have already expressed regret, either orally or in writing, the Department feels that you should endeavor to obtain from them

such an expression. Should such an expression of regret be obtained, you are authorized to take the action suggested in the last substantive paragraph of your telegram.

If you are unable to obtain an expression of regret, the Department suggests that you close the case by making to the appropriate Japanese authorities written representations taking definite exception to the action of the Japanese.

Repeated to Chungking and Peiping.

HULL

393.115 Hunt and Company, William/104 : Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, November 22, 1938—7 p. m.

627. Reference Canton's telegram No. 65, November 20, 1 p. m., China Merchants Steam Navigation Company and William Hunt and Company. With regard to the last sentence of telegram under reference,

(1) Please inquire of William Hunt and Company what evidence, if any, the company may be in position to supply of American ownership of any part of the contents of the godown mentioned in the telegram under reference.

(2) State to William Hunt and Company that use by it of the American flag over properties not found to be entitled to American protection cannot but be embarrassing to the American Government and, in the long run, in the Department's opinion, detrimental to the interests of the company itself.

Please repeat your reply to Canton, for its information and guidance, and to Chungking.

Repeated to Canton and Chungking.

HULL

393.115/519 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, November 23, 1938—10 a. m.

[Received November 23—5 a. m.]

76. Department's telegram No. 20, November 22, 3 p. m.<sup>47</sup> Information from His Majesty's Ship *Sandpiper* at Changsha sent November 19th states property on island undamaged but in Changsha City all foreign property believed destroyed except that of Butterfield

<sup>47</sup> Not printed; it inquired regarding condition of American properties in areas affected by hostilities (393.115/518). At Changsha, Chinese ordered destruction prior to withdrawal.

and Swire, British-American Tobacco Company, Customs and Yale in China. Missionaries staying at Yale compound refused to leave, all other foreigners and their Chinese staffs safely evacuated to oil installations. British naval office here has received no further reports regarding property at Changsha; message this morning states foreigners well and food supply adequate. No information yet received regarding American properties at Yochow.

JOSSELYN

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893.1163 American Church Mission/58 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, November 23, 1938—noon.

[Received 10 p. m.]

77. Department's telegram No. 19, November 21, 7 p. m., Roots. On November 21 I wrote to the Japanese Consul General in part as follows:

"This Consulate General, having completed an investigation of the case, is prepared to consider the incident closed on the understanding that measures have been taken to prevent the recurrence of similar incidents in the future and that should this office again consider it necessary to establish personal contact with an American citizen in Wuchang, it may be enabled to do so without delay."

I assumed that the Department did not object to this procedure since I had received no reply to my telegram No. 70, November 17, 6 p. m.

This morning I called on the Japanese Consul General and informed him that I had been instructed to request an expression of regret in connection with this case. He stated that from his information the case was not serious but that he would say that it was very regrettable that misunderstandings of this kind took place. I stated that while fortunately it was not serious yet I could not treat it as unintentional; that the facts as told by Roots were that a Japanese soldier had intentionally struck the American flag and also sprayed carbolic solution on Roots. I stated, however, that I would accept his statement that the affair was regrettable.

Repeated to Chungking, Peiping.

JOSSELYN

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893.70/49 : Telegram

*The Secretary of State to the Consul General at Shanghai (Gauss)*

WASHINGTON, November 23, 1938—8 p. m.

631. Your 1416, November 16, 8 p. m. Proposed action as outlined in paragraph 2 of your telegram is approved. Please advise Depart-

ment if and when reply is sent to Japanese authorities by your British and Danish colleagues and yourself.

HULL

393.1163M56/109 : Telegram

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

CHUNGKING, November 25, 1938—3 p. m.

[Received November 26—8:25 a. m.]

565. William R. Johnson, American missionary, in a letter dated November 4 from Nanchang, Kiangsi, reported to the Embassy that in air raid experienced at Nanchang on October 31 several bombs were dropped in vicinity of property of Methodist Episcopal Mission, that none of the bombs directly struck property of mission, that fragments of bombs pierced 4 mission buildings destroying doors, screens, plaster and woodwork and that 1 man was killed and several others (presumably all Chinese) were wounded on mission property as a result of bombing. Although American citizens were present on mission premises at time of bombing, all escaped injury or death. No estimate of total property damages was given.

In an attached "news note" dated November 3 Mr. Johnson commented *inter alia* that on

"October 31st occurred the worst bombing in the history of the city as far as civilian bombings are concerned. Two hundred bombs fell over 9 of the 10 police precincts. Successive squadrons of planes crossed the city from various directions. If there were military objectives there is little evidence of it. I have seen scores of places where bombs were dropped but scarcely one where there is any military objective apparent. Five bombs fell on properties of Methodist institution in the north suburbs, and 3 more within 15 feet of the boundaries of these properties, one within 25 yards of a large American flag on the platform on the ground. No Methodist owned building was struck, but one small bomb or a number of hand grenades struck at few yards south of the main hospital building, wounding four patients in the wards and spraying with glass Misses Julia Bradley and Evaline Gaw (American citizens), though neither was injured. In the city scores were killed and hundreds wounded . . ." <sup>48</sup>

The Department will recall that this American property has been bombed on various occasions in 1937 and '38, the last of which was reported in Hankow's October 7, 2 p. m.<sup>49</sup> I believe that it would be desirable to make renewed and emphatic representations to the Japanese authorities in regard to these bombings.

Repeated to Peiping, Hankow, Shanghai: Shanghai repeat to Tokyo.

JOHNSON

<sup>48</sup> Omission indicated in the original.

<sup>49</sup> Not printed.

393.115/521 : Telegram

*The Consul General at Canton (Myers) to the Secretary of State*CANTON, November 25, 1938—4 p. m.  
[Received November 26—8:25 a. m.]

This office has received from the Senior Consul a copy of a letter of November 23rd from the Japanese Consul General. Japanese forces are beginning to bombard from the air Chinese troops in the area surrounded by a line connecting Yeungkong, Wuchow, Linhsien, Shiuchow, Lungnam, Hoyuen and Hoifong and repeating the request which has been made by Japanese authorities on numerous occasions that nationals of the various countries located within the indicated area should have distinguishing marks on their properties which can be clearly seen from the air.

In reply to the Japanese Consul General I have, in addition to requesting that adequate steps be taken to avoid endangering the lives and properties of American citizens, called attention to the fact owing to interrupted communications it is not possible to communicate with American citizens in that area within a reasonable time, that American citizens registered at this Consulate General have on previous occasions been advised to put distinguishing marks on their properties and that there are 80 registered American citizens in this area besides possibly others who have not been so registered.

This office is sending a circular notice to American citizens in the area indicated apprising them of the Japanese request and advising American citizens particularly women and children, who find it practicable to do so to seek places of safety.

Sent to Chungking; repeated to Hong Kong for repetition to Yunnanfu.

MYERS

793.94/14377 : Telegram

*The Acting Secretary of State to the Counselor of Embassy in China (Lockhart), at Peiping*

WASHINGTON, November 26, 1938—4 p. m.

307. Tientsin's 217, November 21, 6 p. m., disorder in area outside the Concessions and adjacent to the Race Club. The Department approves an approach to the Japanese Consul General in the sense indicated in the second substantive paragraph of the telegram under reference but believes that in such approach it would be preferable to stress the matter of protest and to avoid argumentation as to why an approach is being made to the Japanese and also to avoid any state-

ment which might imply assent on our part to assumption by the Japanese of authority at Tientsin.

Please instruct Tientsin accordingly.

WELLES

393.1163M56/109 : Telegram

*The Acting Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, December 1, 1938—7 p. m.

403. Chungking's 565, November 25, 3 p. m., and previous, in regard to repeated bombings of American mission property at Nanchang. The Department leaves to your decision the question whether further representations to the Japanese Government in regard to this matter should be made at this time but inclines definitely to the opinion that such representations would be desirable.

Please report any action you may take in the matter.<sup>50</sup>

Repeated to Chungking, Shanghai and Hankow.

WELLES

393.115 Nanyang Brothers Tobacco Company/2 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, December 2, 1938—4 p. m.

[Received December 2—2 p. m.]

85. Referring to my telegram of April [*December*] 28, 3 [6] p. m., 1937, and to my despatch No. 425, April 29 [23], 1938,<sup>51</sup> regarding William Hunt and Company and Nanyang Brothers Tobacco Company.

1. Japanese Consul called yesterday and stated that according to information from Japanese military the factory of Nanyang Brothers outside Hankow is flying the flag of the United States (see Embassy Hankow's telegram No. 180, March 30, noon<sup>52</sup>); that investigation by the Japanese military shows that the property in question is not American property although they understand that Hunt has an interest therein which interest, they stated, would be protected. They requested (a) that in order to prevent an incident in connection with the flag I use my influence with Hunt to have the flag removed, and (b) information regarding the extent of the American interest in the property.

<sup>50</sup> The Ambassador in Japan in his telegram No. 767, December 5, 11 a. m., reported the transmission of a note to the Foreign Office dated November 30 (393.1163M56/111).

<sup>51</sup> Neither printed.

<sup>52</sup> Not printed.



2. I wrote yesterday to Hunt's Hankow representative reminding him that the Embassy and this office had previously informed him that we do not consider the property in question has acquired the character of American property and requesting him "to take steps to avoid the occurrence of any incident which might involve the forcible removal of or disrespect to the flag" on this property.

3. This morning I called on Japanese Consul General and stated in response to yesterday's request for information concerning extent of American interest in property that Hunt had submitted certain documents in support of his claim to the property which had been forwarded to the Department and that pending instructions which I was requesting I was not prepared to say what is the American interest therein. The Japanese Consul General stated that Japanese intend to occupy the property but would delay doing so for "2 or 3 days".

4. Despatch No. 424 [425], April 23, contained copies of all documents on this case. I have nothing further to submit. I request Department's instructions regarding attitude to be taken by this office referring to representations if any to be made either before or in event proposed Japanese occupation of the property takes place.

Repeated to Chungking, Shanghai.

JOSSELYN

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793.94/14459: Telegram

*The Consul General at Canton (Myers) to the Secretary of State*

[Extract]

CANTON, December 4, 1938—5 p. m.

[Received 5:05 p. m.]

The British gunboat *Oicala* on November 2 proceeded from Canton to Kongmoon despite refusal of permission by Japanese authorities. On November 7 the Japanese indicated that foreign naval vessels might navigate the Pearl River between Canton and Hong Kong as from November 10. Under this authorization other vessels have been allowed as naval auxiliaries to carry foreign passengers and relief supplies but the Pearl River remains closed to commercial traffic.

On November 1 the Japanese military seized control of the customs cruisers off Shameen. On November 9 Japanese consular and military officers went about the Canton customshouse and informed the acting commissioner that they were taking over the Chinese Maritime Customs as from 2 p. m. that day; that the customs staff were not to perform their duties outside the customshouse without agreement with the Japanese authorities but that they might continue their duties

inside the customhouse; that the Japanese authorities were to be given access to necessary documents when required; and that no funds were to be transferred to the Inspector General without their consent.

A number of cases [are reported?] of violation of American rights by Japanese soldiers [who?] looted the home of an American citizen and so far no satisfactory answer has been made to this office's protests. On November 7 Japanese soldiers broke into the Wallace Harper garage and took an American-owned car which has not yet been returned. On November 9 Japanese soldiers broke into and occupied the clearly marked American property of the Swedish-American Mission. In response to protests from this office they evacuated on November 4 [*sic*]. Early in the month property of the National City Bank was similarly occupied. Despite promises to do so, the Japanese military have not yet completely evacuated the property. Protests were also made against denial of freedom of movement of American missionaries in Tungshan, against the beating of a coolie of the American-owned Canton Hospital and number of other minor cases.

MYERS

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394.1153 Smith Company, Werner G./77 : Telegram

*The Acting Secretary of State to the Consul General at Shanghai*  
(Gauss)

WASHINGTON, December 6, 1938—5 p. m.

640. Your 1423, November 18, 7 p. m., wood oil. Werner G. Smith authorizes acceptance of Japanese offer to pay for the remaining part of the shipment consisting of approximately 120 short tons without any further effort to obtain payment for the entire original shipment, and expresses the wish that settlement be made accordingly.

Repeated to Chungking and Hankow.

WELLES

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393.115 Nanyang Brothers Tobacco Company/3 : Telegram

*The Acting Secretary of State to the Consul General at Hankow*  
(Josselyn)

WASHINGTON, December 7, 1938—7 p. m.

32. Your December 2, 4 p. m., William Hunt and Company and Nanyang Brothers Tobacco Company.

1. The Department concurs in the position indicated in the last paragraph of your telegram of December 28, 6 p. m., 1937,<sup>54</sup> that the

<sup>54</sup> Not printed.

documents submitted do not establish an American interest in the Nanyang Brothers Tobacco Company, Incorporated, justifying the right of this former well-known Chinese property at Hankow to fly the American flag or to enjoy the protection due to a clearly American-owned property.

2. You may inform Hunt's representative of the foregoing and then go with him into a consideration of the documentary evidence which he may be able to present in support of the claim of William Hunt and Company to an interest in the property in question; and in the light of your own conclusions after examining that and other evidence available to you, you may inform the Japanese Consul General of your opinion regarding the extent and character, if any, of the American interest in the property.

Repeated to Chungking and Shanghai.

WELLES

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393.115 Hunt and Company, William/116

*The Consul General at Hong Kong (Southard) to the Secretary of State*

No. 346

HONG KONG, December 7, 1938.

[Received January 4, 1939.]

SIR: I have the honor to refer to the Consulate General's Despatch No. 329 of November 18th, 1938,<sup>55</sup> entitled "Additional China Merchants Steam Navigation Company Steamers Transferred to British Flag—Claim of William Hunt & Company". The above cited despatch reported the transfer, by sale, from the Chinese flag to the British flag of two more of the four steamers built by or for the China Merchants Steam Navigation Company with funds loaned by the British Boxer Indemnity Fund Commission. I have now to report the completion of the sale and transfer of the fourth and last one of these steamers by the China Merchants Steam Navigation Company to the local British firm of Jardine, Matheson & Company, Ltd. The price was the same as that reported for the other three steamers—85,000 pounds sterling. This fourth steamer, which was the S. S. *Hai Lee*, has now been named the S. S. *Ming Sang* by her new owners. The four ships under their new names are the S. S. *E Sang*, the S. S. *Yu Sang*, the S. S. *Wo Sang*, and the S. S. *Ming Sang*.

All of these steamers, excepting the last one which is understood to be still in dock, have been placed on regular runs for the new company, and to the best of our knowledge and belief there has been no molestation by the Japanese Navy.

Very respectfully,

ADDISON E. SOUTHARD

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<sup>55</sup> Not printed.

393.115/528: Telegram

*The Counselor of Embassy in China (Lockhart) to the Secretary of State*

PEIPING, December 9, 1938—3 p. m.

[Received 7:33 p. m.]

714. My 676, November 14, 2 p. m.<sup>66</sup> Reply received from Japanese Embassy today which quotes following report from Japanese military authorities.

"When a Japanese airplane was reconnoitering at an altitude of 1,000 metres over Sutsien on the 5th of November, it was machine gunned by certain Chinese troops, outside the south wall of the city. The army plane, making a descent, fired some 30 shots upon the Chinese attackers. At the moment the army airplane, noticing an American flag on the ground near the area, stopped the firing at once and returned to its aviation field. In this connection, it should be made clear that not only the size of the American flag which is small but as it was raised on the pole, its visibility was very poor by that plane on a high altitude and especially under such circumstances."

Embassy note comments that the army plane did not fire intentionally at the American hospital and that it stopped attacking "at once on noticing the American flag, even sacrificing the advantages in its operations". The note also states that

"the Japanese authorities desire to express sincere sympathy for the damage sustained unfortunately by the American hospital by stray bullets from the airplane. The instruction has been sent to the local military authorities to negotiate on the spot with the authorities of the mission for the settlement of the cases of the American contingent. And now a reply has been received here from the local authorities to the effect that on December 2nd the both parties concerned reached an agreement and the matter has been satisfactorily settled."

Note concludes with request that all marks on American properties be made horizontally on the roofs with flags or have proper markings and that they be large enough to be clearly visible from a high altitude and that the Chinese troops whether regulars or irregulars be kept at least 300 meters away from American property.

Repeated to Chungking, Shanghai. By airmail to Tokyo.

LOCKHART

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<sup>66</sup> Not printed.

393.115 Hunt and Company, William/112: Telegram

*The Consul General at Canton (Myers) to the Secretary of State*

CANTON, December 15, 1938—6 p. m.

[Received 11:14 p. m.]

83. Reference my 77, December 10, 6 p. m., and Shanghai's December 12, 3 p. m.,<sup>57</sup> G. M. Rosse, representative of Hunt and Company who is now in Canton, has received instructions from Hunt that "as a public warehouse company we will be held responsible for the safety of all cargoes within our warehouse and we cannot admit right to entry by Japanese or interest in cargoes or information as to details thereof".

On the evening of December 14 the Japanese Vice Consul called at this office, stated that the Japanese naval authorities had just received a cargo of rice for which they lacked storage facilities and that they therefore proposed to open one of the empty godowns of the China Merchants Company early this morning and to store the rice therein. The Vice Consul stated that the Japanese would like to have a representative of this office or of the American Navy present at the godown to witness the action. He was informed that since the Japanese authorities had decided to occupy the godown the Consulate General perceived no necessity for any American witness; that regardless of such occupation the status of the properties would remain the same as heretofore and that the Consul General neither denied nor admitted the existence of an interest on the part of Hunt and Company in any or all of the properties in question.

Mr. Rosse was told December 14 of the proposed action by the Japanese and indicated that he would not then take any steps in the matter. Mr. Rosse has today requested me in writing to protest to the Japanese against the occupation of godown and against the right of the Japanese to seize any of the property or to move any of the contents from godowns. In the light of the Department's 291, November 11, noon, to Chungking and 627, November 22, 7 p. m., to Shanghai, I informed Mr. Rosse that the Consul General was not in position to take action as requested.

The possibility of the Japanese withdrawing their guards from the property now appears remote.

Repeated to Chungking, Shanghai.

MYERS

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<sup>57</sup> Neither printed.

494.11/90 : Telegram

*The Acting Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, December 16, 1938—6 p. m.

420. Reference Department's 64, February 18, 6 p. m. So far as Department's records show numerous Embassy notes regarding bombing by Japanese planes of American mission property in China addressed to Foreign Office in pursuance of telegram under reference remain unanswered. See for example following numbered notes sent during month of May: 923, 925,<sup>58</sup> 926, 927, 935, 944, 946<sup>59</sup> and 947.<sup>60</sup>

Unless you perceive some objection thereto, it is suggested that, subject to appropriate check of Embassy records, you address a note to the Foreign Office in which, after referring to (1) the above unanswered notes, (2) your note 975 of June 28,<sup>61</sup> which remains unanswered despite Vice Minister's promise of immediate investigation (see your 560 August 26, 8 p. m. to Department), (3) your unanswered note 942 May 30<sup>58</sup> regarding Nantungchow bombing, sent in pursuance of Foreign Office's request, (4) your unanswered note 1105 of October 31<sup>62</sup> regarding bombing of mission at Tungpeh, resulting in destruction of American property and death and injury of American citizens, you state that your Government desires to be informed whether it may expect a formal expression of regret on the part of the Japanese Government for death and injury of American citizens in Tungpeh bombing and also assurances that appropriate indemnities will be granted, and when it may expect replies to the other above-mentioned notes, and notes subsequently sent, regarding repeated bombings of American mission properties, including schools, churches, and hospitals by Japanese planes.<sup>63</sup>

Repeated to Chungking and Peiping.

WELLES

893.70/54

*The Department of State to the British Embassy*

## AIDE-MÉMOIRE

Reference is made to the British Embassy's *aide-mémoire*, left at the Department of State on December 13, 1938,<sup>63a</sup> setting forth the

<sup>58</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 590.

<sup>59</sup> *Ibid.*, p. 593.

<sup>60</sup> Nos. 923, 926, 927, 935, 944, and 947 not printed.

<sup>61</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 604.

<sup>62</sup> *Ibid.*, p. 627.

<sup>63</sup> For Ambassador Grew's note of December 22, and the Japanese reply of December 30, see *ibid.*, pp. 630 and 640; see also Japanese note of December 28, *ibid.*, p. 633.

<sup>63a</sup> Not printed.

views of the British Government in regard to the situation confronting the cable companies at Shanghai.

The American Government agrees with the British Government that the possibility of eventually giving the cable companies diplomatic support vis-à-vis the Chinese Government would depend upon the circumstances in which any action complained of might have taken place.

On December 12, presumably in accord with an understanding with his British and Danish colleagues, the American Consul General at Shanghai replied to Japanese demands in a communication to the Japanese Consul General.<sup>64</sup> The American Consul General declined to recognize the Central China Telecommunications Company, denied the Japanese statement that the cable companies are taking advantage of the present situation in order to claim more rights than those formerly granted them by the National Government of China, pointed out that certain adjustments to meet the local situation have already been made by the cable companies at the instance of the Japanese military and stated that no further adjustments would appear to be reasonably called for pending the termination of hostilities at which time an orderly settlement of any outstanding questions should be possible.

The American Consul General was authorized to inform the American cable company concerned of the reply made to the Japanese Consul General and to say that any specific arrangements for the continuance of cable services must be made upon the responsibility of the cable company but that, if in any specific instance the company should decide that it was not in a position to meet the wishes of the Japanese authorities, the American Government would be prepared to give such support as might be possible by way of diplomatic representations to the Japanese authorities.

The Department of State is favorably disposed in principle toward the British Government's proposal for a parallel approach at Tokyo but offers for consideration the thought that, in view of the circumstance that the American Consul General at Shanghai, presumably in accord with parallel action by his British and Danish colleagues, has already replied to the Japanese Consul General in regard to the merits of the questions involved, it would be preferable to await further developments before making such an approach.

WASHINGTON, December 17, 1938.

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<sup>64</sup> Not printed.

393.115/558

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

No. 1839

PEIPING, December 23, 1938.  
[Received February 6, 1939.]

SIR: I have the honor to transmit, as of possible interest to the Department, a copy of despatch No. 1465 dated December 5, 1938, from the Consul General at Shanghai to the Embassy, with which there is enclosed a copy of a letter dated December 1, 1938,<sup>65</sup> from Consul R. L. Smyth at Nanking, describing his visit to Pukow, Kiangsu, across the Yangtze River from Nanking, for the purpose of inspecting the Standard-Vacuum Oil Company's installation in that city.

It will be noted that Mr. Smyth states that, although the Japanese authorities in Nanking had previously refused many requests from the British Consul for permission to visit Pukow, they readily granted his request to proceed to that city to inspect American interests. Mr. Smyth adds that it seems evident that, certainly in some matters, the Japanese authorities in Nanking are disposed to treat Americans more liberally than British.

Respectfully yours,

For the Chargé d'Affaires ad interim:

FRANK P. LOCKHART  
*Counselor of Embassy*

811.7393C73/97

*The Chinese Ministry for Foreign Affairs to the American Embassy in China*<sup>66</sup>

[Translation]

[CHUNGKING,] December 28, 1938.

The Ministry of Foreign Affairs presents its compliments to the American Embassy and has the honor to state that it has received the following communication from the Ministry of Communications:

"According to a confidential report, the bogus regime at Nanking has detailed officers to proceed to Shanghai to conduct negotiations with the Great Northern Telegraph Company, Ltd., the Eastern Extension, Australasia and China Telegraph Company, Ltd., and the Commercial Pacific Cable Company, requesting the cancellation of their agreements with the Central Government and the conclusion of other agreements with the bogus regime, failing which the Japanese will compel them to discontinue operation beginning next year. Please take note of the matter and request those concerned to take steps to stop such activity."

<sup>65</sup> Neither printed.<sup>66</sup> Copy transmitted to the Department by the Embassy in China without covering despatch; received about March 2, 1939.



If the request of the Japanese and of the bogus regime in connection with the above Companies is permitted to materialize, it will be obviously contrary to the policies of the United States, Great Britain and Denmark. Apart from addressing separate communications to the British Embassy and to the Danish Legation in China, the Ministry of Foreign Affairs, in inditing this third person note, has the honor to request that the American Embassy take note of the matter and instruct the Commercial Pacific Cable Company to reject the request of the Japanese and of the bogus regime. A reply is also requested.

SEAL OF THE MINISTRY OF FOREIGN  
AFFAIRS OF THE REPUBLIC OF CHINA

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893.00/14293 : Telegram

*The Consul General at Hankow (Josselyn) to the Secretary of State*

HANKOW, December 31, 1938—10 a. m.

[Received January 1, 1939—3:20 p. m.]

Social restrictions imposed by the Japanese on Americans and other foreigners in November continued throughout December with only slight alleviations in certain instances. The Japanese occupied a house owned by an American mission at Hankow and also mission property at Hanchuan, Hupeh. Some apprehension has been felt among Americans at possible tightening of local restrictions on account of reported American loan to China. About 35 foreign nationals including 16 Americans evacuated Kuling and left for Shanghai by Japanese transport December 10. Eighteen Americans remain at Kuling. An exchange of foreign gunboats between Shanghai and this area was carried out [according to ?] proposal of Japanese naval authorities under which three American gunboats, *Luzon*, *Guam*, and *Monocacy* proceeded to Shanghai during the month and the *Oahu* came to Hankow. Eight American civilians arrived here from Shanghai.

[Here follows report on Japanese activities.]

JOSSELYN

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494.11/94 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, December 31, 1938—7 p. m.

[Received January 1, 1939—8 a. m.]

819. Our 809, December 27, 5 p. m.,<sup>87</sup> and previous on bombing of American property, and Nyhus case.

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<sup>87</sup> Not printed.

1. We have received from the Foreign Office a long note<sup>68</sup> which refers collectively to our various notes requesting that investigations be made of cases involving bombing of American property by Japanese airplanes. The note, with which there is transmitted a report in summary form of the results of investigations, refers to the impracticability of conducting investigations in areas not under Japanese occupation, repeats assurances that precautions are being taken to avoid attack on American property, and suggests that correspondence with respect to the incidents which arise be exchanged in China.

2. There was also received a note on the Nyhus case<sup>69</sup> which states that although a full investigation of this case cannot be carried out for the reason that Tungpeh is not under Japanese occupation "the Japanese Government is prepared to devise some method of providing a solution."

3. These notes are being translated and will be telegraphed via Shanghai.

Repeated to Chungking.

GREW

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393.1164 University of Shanghai/83 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*

SHANGHAI, January 1, 1939—4 p. m.

[Received January 1—3:20 p. m.]

2. Reference Department's telegram No. 660, December 30, 4 p. m.<sup>70</sup> regarding University of Shanghai. The Associated Press correspondent responsible for the report referred to by the Department informs me that at a press conference with the Japanese he phrased the questions to which the naval spokesman gave his assent as quoted. Locally published reports of the press conference did not include any statement that the University would not be returned to its owners while hostilities continued in China. The attitude mentioned in the Associated Press despatch, while not put into so many words, has for some time been inferred from conversations with Japanese officials. See our telegrams No. 1122, August 17, 5 p. m.; and paragraph 3 of my 1408, November 10, 5 [9] p. m.; also my despatch No. 1814 of November 15.<sup>71</sup>

This Consulate General has succeeded in arranging for the removal of books and equipment from the University property and negotiations with regard to repairs to the buildings are now proceeding

<sup>68</sup> See note of December 28, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 633.

<sup>69</sup> See note of December 26, *ibid.*, p. 632.

<sup>70</sup> Not printed.

<sup>71</sup> Telegram No. 1122 and despatch No. 1814 not printed.

satisfactorily between the mission representatives and the Japanese authorities after having been initiated by this office.<sup>72</sup>

GAUSS

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**PROBLEM OF CONTROLLING THE TRAFFIC IN OPIUM AND OTHER NARCOTIC DRUGS IN PARTS OF CHINA UNDER JAPANESE MILITARY OCCUPATION**<sup>73</sup>

500.C1197/1137

*The Secretary of State to the Secretary General of the League of Nations (Avenol)*<sup>74</sup>

The Secretary of State of the United States of America acknowledges the receipt of circular letter No. C. L. 203.1937.XI, dated December 1, 1937, from the Secretary General of the League of Nations,<sup>75</sup> in regard to the clandestine manufacture of and the illicit traffic in narcotic drugs in China.

Information in the hands of the American Government confirms the serious conditions obtaining in respect of the opium and manufactured drug traffic in China north of the Yellow River, including Manchuria and Jehol, and fails to indicate that any effective measures have been taken to bring about improvement in the situation in that area, notwithstanding the promulgation in Manchuria on July 22, 1937 of a local ordinance which attempts to limit manufacture of the more common opium derivatives to the local opium monopoly.

As to the situation south of the Yellow River, the information in the hands of the Government confirms that which was presented to the Opium Advisory Committee at its Twenty-second Session.<sup>76</sup> Owing to the disorders which, for some time past, have been taking place in that area, complete information concerning developments in the drug situation in China south of the Yellow River since the spring and summer of 1937 is not yet available.

WASHINGTON, February 16, 1938.

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<sup>72</sup> The Consul General at Shanghai in telegram No. 502 of June 8, 1940, reported settlement by the Japanese of the claims of the University (393.1164 University of Shanghai/159).

<sup>73</sup> For previous correspondence, see *Foreign Relations*, 1937, vol. iv, pp. 694 ff.

<sup>74</sup> Transmitted by the Department in instruction No. 201, February 16, to the Minister in Switzerland.

<sup>75</sup> Not printed.

<sup>76</sup> See League of Nations, *Official Journal*, December 1937, pp. 1101 ff.

500.C1197/1187a : Telegram

*The Secretary of State to the Consul at Geneva (Bucknell)*

WASHINGTON, May 14, 1938—3 p. m.

36. For Fuller: <sup>77</sup> Treasury Department has received telegram dated May 6 from Nicholson <sup>78</sup> to the following effect:

About middle of April 428 cases Iranian opium arrived Tangku port of Tientsin. Three hundred of these arrived Shanghai April 22 from Dairen and are now stored in Hongkew. Additional 1,000 cases Macao awaiting transportation. Negotiations being conducted between Satomi, assistant to Colonel Kusumoto, head of Japanese Army Special Service in Shanghai area, and Chao Shih Chuin, Chief of Consolidated Tax Bureau of Tatao Shanghai provisional government, for establishment of large heroin factory Shanghai. Efforts are being made to sell under the control of Colonel Kusumoto 460,000 pounds Iranian opium, which was consigned in care of Mitsui Busan Kaisha, Limited, Shanghai, at 6 local dollars per liang without tax. In addition stamp tax of \$2 will have to be paid but no stamps have yet been printed. Under Japanese military supervision delivery against cash is to be made to any part of Central China area now occupied by Japanese Army, including Shanghai. Satomi has already registered 34 Chinese and Korean retail dealers and 11 Chinese wholesale dealers who will start functioning in various parts of Shanghai shortly.

Large stocks Iranian opium now en route will be converted into base. Site not yet selected. Negotiations in preliminary stage.

Nicholson states above data was received about May 2 through foreign undercover and was verified by two Chinese directors of the local opium merchants' union through an indirect source.

HULL

500. C1197/1192 : Telegram

*The Secretary of State to the Consul at Geneva (Bucknell)*

WASHINGTON, June 6, 1938—5 p. m.

56. For Fuller. Your 102, May 19, 3 p. m.<sup>79</sup> Matter was referred to Nicholson who now reports from Hong Kong, June 6, that investigation slow, difficult and dangerous and he suggests that you not give publicity at present time to following information:

Armed Japanese vessel (name not given) about April 3, 1938 arrived Macao from Iran carrying over 2,000 cases opium. Eleven hundred

<sup>77</sup> Stuart J. Fuller, Assistant Chief of the Division of Far Eastern Affairs; American representative in expert and advisory capacity at the 23d session of the League of Nations Advisory Committee on Traffic in Opium and Other Dangerous Drugs.

<sup>78</sup> M. R. Nicholson, Treasury Attaché in China.

<sup>79</sup> Not printed.

of these cases were landed at Hak Sha Wan otherwise Black Sand Bay, suburb of Macao, and taken to Banco Nacional Ultra Marino for safekeeping. Arrangements to this end were made by local opium merchants with Governor Barbosa. The Governor furnished negro troops who escorted the shipment into Macao at night and is said to have been paid \$400 per case for this service. Ten Chinese opium merchants cooperated with the Japanese in this transaction, the most important of whom is But Lui Kim (Cantonese dialect), head of troop under direction Pedro José Labor of Opium Monopoly and Director Economic Services. The other 1,000 cases in this cargo were discharged at Formosa.

HULL

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500.C1197/1202 : Telegram

*The Consul at Geneva (Bucknell) to the Secretary of State*

GENEVA, June 13, 1938—10 p. m.

[Received June 13—5:30 p. m.]

126. From Fuller. Far East discussion opened today by Japanese who assertedly replying to last year's statements replied to nothing but produced red herrings from year ago. Japan was followed by China and then by me. American statement<sup>80</sup> was strongly supported by Egypt, Canada, India, United Kingdom and Yugoslavia, last named attacking Iran for feeding illicit traffic in the Orient and recommending that drug manufacturers should refuse to patronize opium producing countries who feed illicit traffic. [Fuller.]

BUCKNELL

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500.C1197/1205 : Telegram (part air)

*The Consul at Geneva (Bucknell) to the Secretary of State*

GENEVA, June 16, 1938—10 a. m.

[Received June 17—11:10 a. m.]

130. From Fuller. Preparatory Committee has included in its report statement that the American representative proposed that Convention should lay down principles which would provide (1) complete independence for any control body vested by the Convention with authority, (2) businesslike arrangement whereby parties accept responsibility for and agree to pay through machinery set up by the Convention each their fair share of cost of implementation. [Fuller.]

BUCKNELL

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<sup>80</sup> For summary, see League of Nations, *Official Journal*, November 1938, p. 1017.

500.C1197/1207 : Telegram

*The Secretary of State to the Consul at Geneva (Bucknell)*

WASHINGTON, June 16, 1938—5 p. m.

63. For Fuller. Your telegrams 102, May 19, 3 p. m., and 120, June 9, 10 a. m.<sup>81</sup> Nicholson telegraphed from Hong Kong on June 9 and 10 ex-submanager of Macao Opium Combine states of 1100 cases landed near Macao April 500 later shipped Shanghai and 600 stored Banco Ultra Marino.

Nicholson Shanghai June 14 states information his telegram June 6 (Department's 56, June 6, 5 p. m.) may now be made public. He says names transporting vessels vague. He believes *Singapore Maru* may have brought all 2900 cases and discharged part at Macao.

Nicholson's Shanghai investigators report Japanese have suspended sales Iranian opium and are retaining supplies for disposal of new Chinese re-formed government which will use them in connection with monopoly schemes.

HULL

500.C1197/1209 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, June 22, 1938—6 p. m.

[Received June 22—9 a. m.]

400. The Foreign Office on Monday orally expressed to the Embassy its regret that Mr. Fuller had made statements at a recent session of the International Opium Committee, now sitting in Geneva, that the drugs referred to in the penultimate paragraph on page 2 of narcotics seizure report No. 721, enclosed with the Department's confidential instruction No. 1462 of April 6, 1938,<sup>82</sup> came from the Japanese Concession in Tientsin.

The Foreign Office suggested that it would have been well had Fuller first referred his information to the Japanese authorities through the regular channels in order that the Japanese side of the matter could have been given before a public statement was made. We made clear in replying that on April 30, 1938, the Embassy had furnished the Foreign Office with a copy of the seizure report referred to and that to date we had received no report of any investigation which the Japanese authorities may have made in connection therewith.

The Foreign Office added that Fuller's statement that 2875 cases of opium had been purchased by Japanese merchants for importa-

<sup>81</sup> Neither printed.

<sup>82</sup> Not printed.

tion into China was inaccurate, and that the facts are that 3228 cases were purchased by Japanese merchants for legal entry into Manchuria, North China, Macao, Dairen, and Siam. The Foreign Office stated that according to an investigation carried out last March there was not a single case of the clandestine manufacture or sale of narcotics in the Japanese Concession in Tientsin at that time.

COMMENT: We feel that there has recently been shown by the Foreign Office a genuine desire to cooperate with us on the question of suppressing illicit international narcotics traffic. We gained the distinct impression at the above mentioned interview at the Foreign Office that, if the Japanese continue to be subjected at Geneva to public criticism without previous reference to them of information involving Japanese complicity with such traffic, we cannot expect to receive anything more than perfunctory interest in the control of that traffic.

GREW

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500.C1197/1213a : Telegram

*The Secretary of State to the Consul at Geneva (Bucknell)*

WASHINGTON, June 24, 1938—6 p. m.

75. For Fuller. Secretary of Portuguese Legation, at request of his Minister, absent from the city, called afternoon June 23 on Chief European Division to express pained surprise and disappointment of Portuguese Government at what it considered unwarranted attack on Portuguese colony of Macao in matter of opium smuggling as brought out by you before Opium Advisory Committee. The Portuguese Government contends that your allegations are unfounded and is disappointed that you made your public statement without advance notice to Portuguese Delegate who could have cleared up many misunderstandings.

Anslinger<sup>83</sup> comments both Japanese and Portuguese oral protests inconsistent with facts and are confessions by avoidance.

HULL

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500.C1197/1245: Telegram (part air)

*The Consul at Geneva (Bucknell) to the Secretary of State*

GENEVA, August 30, 1938—1 p. m.

[Received August 31—10:09 a. m.]

178. Department's telegram 99, August 27, noon; Consulate's 176, August 24, 5 p. m.<sup>84</sup> Portuguese statement included: "I refer to the

<sup>83</sup> Harry J. Anslinger, Commissioner of Narcotics.

<sup>84</sup> Neither printed.

declaration which was made to the Advisory Committee by the delegate of the United States of America, according to which about April 3, 1938 a Japanese armed vessel the *Singapore Maru* is alleged to have reached Macao, et cetera". He also said: "According to official information, no Japanese armed vessel has approached the ports of Macao since the commencement of the Sino-Japanese conflict." Context indicates he meant "armed vessel". He made no other categorical denial but he attempted to show the improbability of all of the details of Fuller's statement. The full text went forward to the Department August 26.<sup>85</sup>

The explanation given of the increase in raw opium was the enormous influx of refugees from China.

The Board has been informed privately that the Governor of Macao has been called to Lisbon in connection with the opium investigation.

BUCKNELL

500.C1197/1240

*The Secretary of State to the Ambassador in Japan (Grew)*

No. 1574

WASHINGTON, September 12, 1938.

SIR: The receipt is acknowledged of your despatches No. 3047 of June 23, 1938 and No. 3181 of August 11, 1938<sup>86</sup> in regard to the statements concerning the drug situation in China made by the American representative at the recent session of the Opium Advisory Committee at Geneva.

These reports have been read with interest, describing as they do a course of action strikingly similar to that which has, in the past, been attempted by nation after nation when failure to cooperate in the international effort to cope with the drug evil has been brought to light. The difference is found in the fact that Japan, after admitting the flooding of China with high morphine-content opium and the setting up in China of unrecognizable regimes among whose first acts in each instance has been to do away with measures to suppress the abuse of narcotic drugs, endeavors to represent this destruction of existing control as cooperation and to justify it as technically permissible under the international drug conventions.

From the data which have been previously sent to the Embassy, you will have noted how direct is the interest of the United States in the situation in China, north and south of the Great Wall, in regard to opium and opiates.

Practically all of the smoking opium found in the illicit traffic in the United States comes from China and is a blend of Chinese and

<sup>85</sup> Not printed.

<sup>86</sup> Neither printed.



Iranian opiums. Part of it is prepared in and near Shanghai, part in South China and a little in North China. This type of smoking opium has practically no market in China and is put up solely for the illicit traffic in America.

Heroin found in the illicit traffic in the United States has, for some years past, come from China, since 1935 mostly from the Japanese Concession in Tientsin. Persian opium, on account of its high morphine content, lends itself particularly well to the manufacture of heroin.

Most of the raw opium found in the illicit traffic in the United States is Iranian opium, a great part of which is smuggled into the United States from China.

The recent unprecedented movement of Iranian opium to China and action taken by the regimes set up in China by the Japanese Army in respect of narcotics control are thus, naturally, matters of deep concern to the American Government.

It is regretted that it was not possible to place more detailed information in your hands before June 20, when the Japanese Foreign Office took up with the Embassy the question of the discussions which took place in Geneva. The Department, however, with a view to placing before you as early as practicable all available material to aid you in developing a complete picture of the situation, has endeavored to forward as rapidly as it became available data of that kind.

A copy of the American representative's principal statement in regard to the situation in the Far East was sent you from Geneva at the time when the statement was made, June 13, 1938.

Under cover of instruction No. 1548 of August 1, 1938,<sup>87</sup> the Department sent you the minutes of the 8th, 9th, 10th, 15th and 16th meetings of the Twenty-third Session of the Opium Advisory Committee.<sup>88</sup> These report the public discussions referred to in your despatch under reply and embody verbatim the principal statements made by the Japanese, American and other representatives. It will be noted that the statements of the Japanese representative confirm almost entirely those made by the American representative.

Excerpts from the confidential report of the American representative at the Twenty-third Session of the Opium Advisory Committee will be sent you as soon as possible.

There is enclosed herewith a copy of League document No. O. C. Confidential 43 (which was circulated after the close of the session) from which it will be noted that the Japanese representative at the Opium Advisory Committee essentially corroborates the estimates

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<sup>87</sup> Not printed.

<sup>88</sup> See League of Nations, *Official Journal*, November 1938, pp. 1003 and 1043.

presented by the American representative of the area devoted to poppy cultivation in Manchuria and Jehol.<sup>89</sup>

There is also enclosed herewith a copy of a memorandum<sup>90</sup> which deals with certain points brought out in the remarks made by the American representative at the Twenty-third Session of the Opium Advisory Committee.

As the Japanese representative at the Opium Advisory Committee has pointed out under instruction from his Government, the Japanese figures accord substantially with those presented to the Opium Advisory Committee by the American representative at the recent session of that Committee.

The governments concerned in the situation were those of China and of Iran. There was no occasion to consult in advance the Government of Japan unless to protest the setting up by its army in China of so-called governments among whose principal objects has invariably been the making of money through encouragement of the illicit traffic in narcotic drugs, a course of action followed regardless of law and to the prejudice of all nations, especially the United States. The political element thus involved could not be discussed in the Opium Advisory Committee, which is a technical committee in which political discussions are barred. Otherwise, it might have been pointed out that, when Wen Tsung-Yau and his associates wished to set up their drug business in China, they went to the Japanese Army which incorporated them in "The Provisional Government" at Nanking, but that when Wen's daughter attempted to extend her drug business to the United States, the American Government sent her to the penitentiary.

The following data are intended to serve as background to aid the Embassy in its consideration of matters in which the traffic in narcotic drugs in China is involved:

In the case of Manchuria and Jehol and in that of other parts of China under Japanese military occupation, the government recognized as the sovereign (i. e., the Chinese National Government) is prevented by existing conditions, created in large part by Japanese action, from obtaining official information as to the situation. This puts the case on a footing which differentiates it from the case of areas in which recognized governments function. Discussion in the Opium Advisory Committee could not be based on information supplied by the recognized sovereign of the territory, because such information was not to be had. All nations with facilities for obtaining such information are therefore regarded as privileged to present it

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<sup>89</sup> For summary of Japanese reply, see League of Nations, *Official Journal*, November 1938, p. 1020.

<sup>90</sup> Not printed.

without obligation to consult in advance the Japanese or any other government.

The Japanese representatives at the Opium Advisory Committee have hitherto disclaimed responsibility for the regimes set up in China by the Japanese army and have taken the position that those regimes are independent governments which Japan has recognized as such. This is particularly so in the case of "Manchukuo".

Channels for obtaining and supplying to the Opium Advisory Committee information in regard to the situation in respect of the narcotics traffic in those parts of China under Japanese military occupation were agreed upon between the United States and nations members of the League of Nations in 1934 on the basis set forth in circular letter No. C. L. 27.1934.XI of March 16, 1934, a copy of which is enclosed.<sup>92</sup> In that letter is outlined the procedure which has been recognized and followed ever since with the apparent acquiescence of Japan, whose representatives have themselves circulated information concerning "Manchukuo" without prior consultation with the Chinese or any other government. In this connection attention is invited to the Department's instruction No. 441 of January 20, 1934,<sup>93</sup> in regard to the seventeenth session of the Opium Advisory Committee.<sup>94</sup>

Information from Iran concerning raw opium despatched from Bushire for the Far East by Japanese, Chinese, British, Netherland and German ships has been regularly produced and discussed annually in the Opium Advisory Committee for many years past without the slightest suggestion on the part of anyone that the government whose flag the ship flew should be consulted in advance. The Japanese Government must have known that this data would be discussed as usual. On occasion, in the past, the Japanese Government has even promised to take steps that would penalize Japanese shipmasters for carrying opium from Iran to China.

As you point out in one of the despatches under reply, the specific case mentioned by Mr. Fuller of illicit traffic from the Japanese Concession in Tientsin to the United States between 1935 and 1937 was duly reported to the Japanese Government through regular channels under the Narcotics Limitation Convention of 1931<sup>95</sup> and also especially through your Embassy in seizure report No. 721.<sup>96</sup> Under the terms of that Convention, report of important cases of illicit traffic is to be made in each case to all parties to the Convention as soon as the case has been developed. This provision was designed to prevent the very course which the Japanese Foreign Office now

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<sup>92</sup> Not attached to file copy of instruction.

<sup>93</sup> Not printed.

<sup>94</sup> See League of Nations, *Official Journal*, February 1934, pp. 157 ff.

<sup>95</sup> Signed at Geneva, July 13, 1931, *Foreign Relations*, 1931, vol. I, p. 675.

appears to suggest. The Japanese Government, which must have known that the case in question would be discussed in the Opium Advisory Committee's Twenty-third Session, had over forty days in which to investigate and present its statement in the matter.

Adverting to Mr. Mitani's letter of July 30, 1938,<sup>96</sup> it may be pointed out that the attitude of the Japanese Government toward the abuse of narcotic drugs speaks for itself. For over ten years, Japan's official representatives, admitting the futility of their existing measures to prevent illicit traffic, have done no more than to present vague promises to reform Japanese legislation so that it will provide adequate penalties for illicit trafficking and will set up efficient control of the distribution of narcotic drugs. Year after year these same assurances have been given but nothing has been done. Even the existing legislation seems not to be enforced. Recently the keeper of a bar in Japan had only to go around the corner and openly buy at a pharmacy without any prescription a quantity of cocaine beyond any medicinal dose, for delivery to a sailor, to be smuggled into the United States. (In this connection, please see your despatch No. 3054 of June 25, 1938<sup>97</sup>). This state of affairs has been the subject of public comment for years past.

No convincing justification has yet been produced by the Japanese for the flood of Iranian opium which has admittedly been imported into China north and south of the Great Wall by Japanese interests. Whether those interests were military or civilian, all that has been produced is an attempted justification on purely technical grounds for refraining from prosecuting or interfering with the Japanese concerned in thus building up this serious menace to the rest of the world. This attempted justification is based on the assertion that the so-called "governments" which have been set up through the impulsion of the Japanese Army have entrusted to certain Japanese and Chinese individuals the actual control of narcotics. The responsibility of the Japanese Government in this matter is inescapable.

It will thus be seen that the Japanese Government, while confirming the factual data, appears to avoid the issue by importing political considerations which involve recognition of puppet governments that its army has set up in China.

International cooperation is not limited to the exchange of information, important though that feature is. It calls for positive action to ensure effective control of the drugs and effective punishment for offenses against the laws controlling narcotic drugs.

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<sup>96</sup> Not printed; Mr. Mitani was Chief of the Treaty Bureau, Japanese Foreign Office.

<sup>97</sup> Not printed.

So far as Japan itself is concerned, the cooperation which has been extended by the Japanese Government to the Government of the United States has been extended for only a few years past and has consisted merely in more or less perfunctory investigation of a few specific cases of illicit traffic. Even in those cases no effective action has been taken against persons implicated in Japan and no effective steps appear to have been taken to provide for strict control of drugs or for the imposition in future of penalties that would act as deterrents.

It is true that the Nippon Yusen Kaisha has taken effective steps to put a stop to the use of its ships for the smuggling of narcotics. This was done to avoid the heavy fines that were being imposed on Nippon Yusen Kaisha vessels for bringing narcotics to American ports.

All the results that have been accomplished in the past twenty years in the fight against the illicit traffic in narcotic drugs have been attained only after the application of pitiless publicity. It is that and that only which, in the case of offenders, has finally brought about international cooperation. Japan is by no means the only nation which has brought such publicity upon herself. Other nations have come to a realization that the only way to avoid such publicity is by showing sincere and effective effort to cooperate in the campaign against the illicit traffic. It is to be hoped that the Japanese Government will take measures, such as past experience has shown are necessary, to meet its obligations in this matter. To that end, it is gratifying to note that the Japanese authorities are at last becoming sensitive to the general disapproval of their attitude toward the narcotic traffic.

The idea of prior consultation with the authorities of the offending country before reporting on illicit traffic is one that has been advanced in the past. It has always been proposed with a view to defeating the very object of the exchange of such information. In the present instance, it appears to have been suggested with the additional object of evoking some sort of recognition for the position occupied by Japan in China today and of the puppet governments which the Japanese Army has set up.

The Department has noted the opinion expressed in Mr. McGurk's memorandum of June 20, 1938<sup>98</sup> that nothing more than perfunctory interest in prevention of the illicit traffic in narcotic drugs may be expected from the Japanese Government unless the practice is instituted of prior reference to the Japanese authorities of all matters involving complicity of Japanese nationals before criticism of such complicity is made public.

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<sup>98</sup> Not printed; Joseph F. McGurk was First Secretary of Embassy in Japan.

This suggested departure from long established practice would constitute no less than a suppression of information and, as such, action in derogation of the Narcotics Limitation Convention of 1931.

The Department doubts whether participation of the American Government in such suppression of information would tend in any measure to increase the present apparently perfunctory interest of the Japanese authorities in narcotic drug control or in suppression of the illicit traffic, or would tend to render effective the Japanese contribution to cooperative international effort to suppress the abuse of narcotic drugs. In similar situations in the past, in China and elsewhere, publicity has proved the only effective means of bringing about real cooperation.

The menace to the United States which arises from the accumulation in China, through the agency of Japanese interests, of these huge quantities of opium and opiates is necessarily a matter of direct and serious concern to the American Government, as the United States is the principal victim of the resultant illicit traffic. The Department is considering the making of representations to the Japanese Government in regard to the matter when an opportune moment arrives.

In the light of the foregoing, the Department will appreciate receiving your views on the proposal for undertaking to consult the Japanese authorities (any more than those of other countries other than China) in advance before giving publicity to information concerning the illicit traffic from China to the United States, bearing in mind the political implications which would be involved; and also your views as to whether the desire of the Japanese, expressed repeatedly during many years past, to cooperate with other nations in these matters, may be expected to attain any degree of effective fruition within a reasonable time.

Very truly yours,

For the Secretary of State:  
R. WALTON MOORE

500.C1197/1282

*The Ambassador in Japan (Grew) to the Secretary of State*

No. 3522

TOKYO, December 20, 1938.  
[Received January 9, 1939.]

SIR: I have the honor to acknowledge the receipt of the Department's confidential instruction no. 1574 of September 12, 1938, with its enclosures<sup>99</sup> (File No. 500.C1197/1240), relating to the drug situation in China as reported in the statements of the American representative at the last session of the Opium Advisory Committee at Geneva. The Embassy has carefully noted, and appreciates, the back-

<sup>99</sup> Enclosures not printed.

ground information and the Department's views as set forth in that instruction.

The Embassy has delayed its reply to the instruction under acknowledgment in the expectation that, without soliciting it, the Japanese authorities would make orally or otherwise to the Embassy some explanation or statement further in regard to their attitude on the situation in China as exposed by the American delegate. Although a member of the Embassy staff has had on many occasions conversations on other matters pertaining to the narcotics traffic with the official of the Foreign Office in charge of that work, no reference has been made by that official to the situation in China or to the exposé of our delegate.

It has been noted, however, that there has been a slackening in cooperation on the part of the Japanese authorities since they first called our attention, as reported in the Embassy's telegram No. 400, June 22, 6 p. m., to the statements of our delegate at Geneva. Though there have been only two or three cases of a minor nature and the Turevic case since that time we have noted that the Japanese authorities have not been as prompt as heretofore in replying to our inquiries.

In this relation and with respect to the question of undertaking to consult with the Japanese authorities in advance before giving publicity to information concerning the illicit traffic conducted by Japanese in China and the illicit traffic to the United States from the areas in China controlled by the Japanese, the Embassy refers to its opinion given in the penultimate paragraph of confidential despatch No. 3181 of August 11, 1938,<sup>1</sup> to the effect that we are not in a position to determine whether the advantages derived from unrestricted publication of information with regard to illicit Japanese activities in China are greater than the advantages which flow from the effective cooperation of the Japanese Government in preventing the illicit shipment of narcotics to the United States.

We desire to point out, however, that the Japanese authorities here in Japan with whom we have had to deal in connection with the illicit traffic in narcotics have shown a sincere desire to cooperate in the suppression of this traffic. Just what influence or control they may have over their nationals or the military authorities in China it is not possible to say, but we do believe that if the Japanese authorities here in Japan could first be furnished in entire confidence, as in the case of all our local dealings, with whatever information we have regarding the activities in the illicit traffic in narcotics of their nationals in China they might be in a better position to take some action vis-à-vis the military authorities.

The military authorities in China are not likely to be affected by publicity in connection with the narcotics traffic any more than they

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<sup>1</sup> Not printed.

appear to be sensitive to publicity given to other features of their activities in China. On the other hand the local authorities with whom we have to deal are sensitive to the adverse effect of such publicity and if placed in a position where direct approach could be made to the higher military command in Tokyo before the military in China are aware that their activities are the subject of protest, some good results might be expected.

It was with the foregoing in mind that the suggestion was made that the Japanese authorities here be furnished in confidence with information regarding the activities of their nationals in China in connection with the illicit traffic in narcotics, in accordance with the agreement referred to in the copy of the letter from the Director of the Treaty Bureau dated July 30, 1938, enclosed with our confidential despatch No. 3181 of August 11, 1938.<sup>2</sup> The suggestion was not intended to convey the idea that action be taken in derogation of the Narcotics Limitation Convention of 1931, nor was it our intention to suggest that information should be suppressed.

Respectfully yours,

JOSEPH C. GREW

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RELIEF ACTIVITIES ON BEHALF OF VICTIMS OF WAR CONDITIONS  
IN CHINA<sup>3</sup>

893.48/14074

*President Roosevelt to the Secretary of State and to the Chairman of  
the American National Red Cross (Grayson)*

WASHINGTON, January 11, 1938.

I realize the difficulty of adequate means for distributing relief to the Chinese civilian population but, at the same time, I think that from many points of view it would be right and proper for us to take a greater part in such relief work than we are doing today.

Would you be good enough to talk this over and let me have your views? I would be happy to give approval to any appeal by the Red Cross for funds for destitute Chinese civilians. The same thing applies to funds to be spent for medical aid.

I am confident that any such appeal would meet a very wide response, and I think we could raise \$1,000,000 without any trouble at all. No question of giving Red Cross assistance to Japan arises because no Japanese civilians need medical treatment or relief of destitution.

F[RANKLIN] D. R[OSEVELT]

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<sup>2</sup> Neither printed.

<sup>3</sup> Continued from *Foreign Relations*, 1937, vol. iv, pp. 627-634.



893.48/1406a : Telegram

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

WASHINGTON, January 22, 1938—3 p. m.

32. Red Cross requests that there be sent to you a message reading as follows:

"For your confidential information the American Red Cross, in response to a request from the President of the United States, is taking appropriate steps to provide an opportunity to the American people to contribute in relieving distress among the civilian population of China. The appeal will be launched on January 25th and will be nation-wide. Although the President has expressed the hope that a goodwill offering of perhaps as much as \$1,000,000 will be contributed no one can predict at this time what the response will be. Consequently great caution should be exercised by all concerned until actual experience is gained as to the response to the appeal.

It is planned to expend the funds received in this campaign through reliable and effective agencies which already exist in China and the Red Cross trusts that the present method of allotting funds by the American Advisory Committee (not American Red Cross Advisory Committee) under your guidance can be continued, with the powers of the Advisory Committee somewhat widened to permit the allotment of funds to agencies without the prior approval of the American Red Cross.

In handling the funds the financial responsibility of yourself and the Advisory Committee to the American Red Cross will be completed upon the receipts of the various agencies for the funds allocated to them. However, the Committee would doubtless wish to exercise a reasonable supervision of the activities of the organizations receiving the funds.

In this connection it is suggested that it would be appropriate to name to the committee a representative of the Protestant missions, another of the Catholics, and if practicable, someone to represent the Jewish communities, and any other additions or changes that seem desirable.

Would you please telegraph at the earliest possible moment the names of the American Advisory Committee for use in connection with the launching of the appeal. The Red Cross would also appreciate a 50-word statement from you describing the need, giving the estimated number of civilian Chinese affected and also request that a similar statement descriptive of the Shanghai area be telegraphed by Consul General Gauss.

It is also suggested that it would be helpful if you would after January 25 give information to the American press correspondents that would assist the appeal."

Department desires that this matter receive your immediate and continuing attention.

Department has repeated this message to Shanghai.

HULL

893.48/1407 : Telegram

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

HANKOW, January 23, 1938—5 p. m.  
[Received January 23—2:15 p. m.]

48. Your 32, January 22, 3 p. m. I have asked Gauss for names of American Advisory Committee as now constituted and in addition have asked him to suggest names of representatives of Protestant and Catholic missions and of Jewish committee [*communities?*] as I have no information here available that would enable me to name suitable persons. I shall telegraph names as soon as received from Gauss. I have asked Gauss to telegraph statement. My statement follows:

"Thousands of Chinese farmers and laborers are being driven from farms and home[s] in city and village into the interior of the country where food, medicine and housing are inadequate. In the Shanghai, Hangchow, Nanking area alone over 20,000,000 people are affected. Transportation facilities as far inland as Szechuan are choked by this mass movement of terrified people. Unharvested crops have been left to rot; new crops will not be planted in the deserted fields this spring. The plight of this people will be piteous in the months to come. Nelson Trusler Johnson."

It is impossible for me to estimate number of people affected by hostilities. Situation will be affected by conditions described by Allison<sup>4</sup> in his 33, January 22, 4 p. m.<sup>5</sup> indicating an unwillingness on the part of Japanese military to cooperate in permitting foreigners to administer to the relief of Chinese civil population within their lines. As hostilities spread, conditions will be aggravated and only agencies available in areas affected will be foreign missionaries who have devotedly remained at their posts to administer to the relief of their people.

Repeated to Shanghai.

JOHNSON

893.48/1407 : Telegram

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

WASHINGTON, January 25, 1938—7 p. m.

39. Your 48, January 23, 5 p. m. For your information. The Department has amended the text of the first sentence of your statement, contained in the telegram under reference, to read as follows:

"The hostilities are driving huge numbers of Chinese from their homes, in cities and villages and on farms. Fleeing from danger,

<sup>4</sup> John M. Allison, Third Secretary of Embassy in China at Nanking.

<sup>5</sup> Vol. III, p. 49.

very many of these people become refugees and are in need of shelter, food, clothing, and medical aid.”

HULL

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893.48/1423a : Telegram

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

WASHINGTON, January 26, 1938—3 p. m.

41. Department's 32, January 22, 3 p. m. Under date January 24 American Red Cross issued a statement for release in press of January 25 launching appeal for relief of Chinese civilians in China. This statement included a letter from the President to Admiral Grayson (quoted in Radio Bulletin 20 of January 25) and a statement by Admiral Grayson stressing urgency of need, giving information regarding funds already made available for relief in China and stating that no personnel would be sent by American Red Cross nor would purchase be made in the United States with possible exception of medical supplies and those only upon request from American Advisory Committee in China.

Repeat to Shanghai.

HULL

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893.48/1495

*Memorandum Prepared in the Department of State*<sup>6</sup>

[WASHINGTON,] April 2, 1938.

The response to the appeal made by the American Red Cross, pursuant to the letter addressed to the Red Cross by the President on January 17, has been extremely disappointing. The amount sought to be raised is \$1,000,000.00 but after ten weeks there have been collected by Red Cross chapters throughout the country only some \$111,000.00 or 11% of the amount envisaged.

The meagerness of the response is bound to have unfavorable effects both in China and in the United States. In China, public opinion in relation to the traditional friendship and sympathy of the American people for the Chinese people and the general reputation of the United States abroad for generosity will be adversely affected. In this country, the many persons and organizations interested in the question of civilian relief in China are very much worried over the marked lack of response shown to date and are desirous that the Red Cross authorities modify their present procedure—which places almost the entire initiative in regard to the making of contributions upon the would-be-giver—and undertake an active campaign or a “drive” for raising funds for this purpose.

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<sup>6</sup> Transmitted to President Roosevelt on April 2.

It is clear that unless the appeal for funds is broadened and intensified, it will probably be a failure. The initiative taken by the President on January 17 and the action taken in response thereto have made the matter one of national public interest and concern and, for this reason, if for no other, it is felt that the Red Cross effort should not be permitted to end in failure.

The national officers of the Red Cross are having a meeting here in Washington on Monday, April 4. It is believed that it would be exceedingly helpful if a communication from the President could be made to those officers at that time suggesting that the Red Cross effort be expanded and the procedure now in effect be revised with a view to obtaining from the American public a response which will be more in keeping with the circumstances and needs of the situation.<sup>7</sup>

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**OBJECTION BY THE DEPARTMENT OF STATE TO CHANGING STATUS OF BOARD OF TRUSTEES ADMINISTERING BOXER INDEMNITY FUNDS IN CHINA<sup>8</sup>**

493.11/2081: Telegram

*The Counselor of Embassy in China (Lockhart) to the Secretary of State*

PEIPING, December 31, 1937—5 p. m.  
[Received December 31—9:52 a. m.]

862. Doctor Leighton Stuart<sup>9</sup> of Yenching has informed me that Tang Erh Ho, member of the new Provisional Government, states that he is contemplating taking over Tsinghua University on behalf of the new "Government". Doctor Ferguson<sup>10</sup> recently proposed that the university be reopened as a joint Sino-American-Japanese institution. He has informed me that he received encouragement from certain members of the Foundation whom he saw in Shanghai recently. They stated, however, that the proposal would have to be referred to members of Foundation in Hankow. It appears that Tang Erh Ho's proposal contemplates using the returned American indemnity funds either by direct first installment to them if such an arrangement can be made through the customs or by persuading the China Foundation to allot funds for this purpose. I asked Dr. Stuart why Tang Erh Ho expected the Foundation would agree to allotments for

<sup>7</sup> Apparently no further official action was taken with regard to this relief appeal.

<sup>8</sup> For previous correspondence, see *Foreign Relations*, 1933, vol. III, pp. 660 ff.

<sup>9</sup> John Leighton Stuart, American missionary, president of Yenching University near Peiping, was a member of the Board of Trustees, China Foundation for the Promotion of Education and Culture, which handled the funds of the American-remitted Boxer Indemnity funds.

<sup>10</sup> John C. Ferguson, American, adviser to the former Chinese President and the National Government.

the support of Tsinghua under the new conditions and he stated that Tang informed him that if necessary he would dismiss the members of the present Foundation and appoint new members. Tang cited the fact that Chiang Kai Shek <sup>11</sup> dismissed 5 members of the Foundation out of 10 several years ago and put in Kuomintang members of his choice.

Dr. Stuart asked me to inform the Department of the possible turn of events as described above and he stated that he hoped that nothing would be done which would vitiate the original agreement under which the China Foundation has been functioning.<sup>12</sup> I told Dr. Stuart that, so far as my knowledge goes, the Department has consistently refrained from interfering with the functions of the China Foundation and that, while I could not speak for the Department, I felt that the Department would not be disposed, under present circumstances, to take any active part in any scheme for the reorganization and reopening of Tsinghua whether as a joint undertaking or as a purely Chinese enterprise. An indication of the Department's views for my own and Dr. Stuart's confidential information would be appreciated.

LOCKHART

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493.11/2081: Telegram

*The Secretary of State to the Counselor of Embassy in China  
(Lockhart), at Peiping*

WASHINGTON, January 14, 1938—6 p. m.

14. Your 862, December 31, 5 p. m. Although the Department has consistently refrained from interfering with the performance of the legitimate functions of the China Foundation as set forth in its constitution, the Department has effectively objected to the attempted disregard by the Nationalist Government of China of an important provision of the constitution by the arbitrary appointment and dismissal of members of the Board of Trustees. It would, therefore, seem that the Department could not properly ignore any attempted violation of the Foundation's constitution by an unrecognized regime in China. (See Department's 114, April 1, 1929, 6 p. m., and previous.)<sup>13</sup>

The Department concurs in the view expressed by you that this Government would not be disposed to associate itself with any scheme for the reorganization of Tsinghua University.

Please keep the Department informed of further developments.

HULL

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<sup>11</sup> President of the Chinese Executive Yuan (Premier) and Generalissimo.

<sup>12</sup> See Executive Order No. 4268, of July 16, 1925, *Foreign Relations*, 1925, vol. I, p. 935.

<sup>13</sup> Not printed.

493.11/2108

*The Chief of the Division of Far Eastern Affairs (Hamilton) to  
Mr. Roger S. Greene*<sup>14</sup>

WASHINGTON, March 2, 1938.

MY DEAR MR. GREENE: I am in receipt of your recent letter<sup>15</sup> in which you inquire whether, in the opinion of this Department, the Trustees of the China Foundation for the Promotion of Education and Culture have discretionary authority to contribute, from the remitted Boxer Indemnity funds administered by them, to the financial relief and repatriation of private Chinese students in the United States who have been deprived by the existing situation in China of their usual financial support.

I enclose herewith a copy of Executive Order No. 4268<sup>16</sup> authorizing the Secretary of the Treasury to remit to the Board of Trustees of the China Foundation for the Promotion of Education and Culture, certain Boxer Indemnity payments already made or to be made to the United States, "the remission of the payments to be for the purpose of further developing the educational and cultural activities of China."

The above-quoted language of the Executive Order raises the question whether the authorization for the remission of the funds permits their use for general educational activities in the interests of China, or restricts their use to scientific educational activities in the sense of the resolution adopted in 1925 by the China Foundation and incorporated in the fourth Whereas clause of the Executive Order.

While it would seem that there is ground for support of the more liberal interpretation, due weight must be given in considering any question involving the provisions of the Executive Order of July 16, 1925, to the statements made in all of the Whereas clauses of the Order as well as to the statements contained in the last paragraphs of the Order. As you are aware, it has been the practice of the Department not to intervene, except in cases of absolute need therefor, in matters relating to the functioning of the Board of Trustees of the China Foundation and in this connection note has been taken of the statement contained in your letter that the Foundation has already reached the conclusion that such a grant as is under discussion would lie outside the scope of the program of the Foundation. The ultimate determination of the question which you raise would appear to require consultation by this Department with the Secretary of the Treasury. In view of the foregoing this Department, although it desires to be of all appropriate assistance to you in your consideration of a humanitarian problem, considers that it would be preferable for it to refrain

<sup>14</sup> Of Worcester, Mass.; trustee of the China Foundation for the Promotion of Education and Culture.

<sup>15</sup> Not printed.

<sup>16</sup> *Foreign Relations*, 1925, vol. I, p. 935.

from expressing any definite opinion on the question submitted in your letter.

Sincerely yours,

MAXWELL M. HAMILTON

493.11/2117 : Telegram

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

HANKOW, April 8, 1938—3 p. m.

[Received 3:11 p. m.]

196. I have following telegram from Shanghai:

"April 6, 5 p. m. Charles R. Bennett<sup>17</sup> informs me that the annual meeting of the Board of Trustees of the China Foundation for the Promotion of Education and Culture is to be held at Kowloon on April 27 and 28, that there are indications that the Chinese Government through one or more trustees who are in the Government will make proposals vitally affecting the status of the Board and the investment of the endowment funds of the Foundation and of Tsinghua, that one suggestion has been made that certain members of the Board are *persona non grata* to the Government and should be removed from the Board, that this, of course, is contrary to the constitution of the Board which by presidential mandate issued previous to the remission is a self-administered Board, that another and even more urgently pressed suggestion is that the Board should invest its funds in 'Government enterprises in the southwest' and that such a suggestion if acquiesced in would completely vitiate the efforts of the Finance Committee to invest on sound investment lines; that in fact it would not be investment but unsecured loaning to the Government and for purposes that might lay the Board open to a charge of using their funds for promoting Chinese war industries.

I bring this information to your attention in the belief that you will wish to insure that you are as usual at the annual meeting of the Board and that your representative will be appropriately informed and instructed."

I have asked Southard<sup>18</sup> to represent me at the meeting of the Board of Trustees, instructing him or his representative to take no part in the discussions or decisions made and report any questions to me. Unless Department desires otherwise, I propose to repeat Shanghai's telegram to Hong Kong and to say to Hong Kong that if consulted he is to say on my behalf that the American Government would deprecate any action on the part of the Chinese Government to change the status of the Board or to influence the Board as to investment of its funds.<sup>19</sup>

Repeated to Peiping.

JOHNSON

<sup>17</sup> Member of the Board of Trustees, China Foundation for the Promotion of Education and Culture.

<sup>18</sup> Addison E. Southard, Consul General at Hong Kong.

<sup>19</sup> No action was taken at the meeting on the matter of changing the Board of Trustees.

493.11/2117: Telegram

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

WASHINGTON, April 16, 1938—5 p. m.

127. Your 196, April 8, 3 p. m. The Department approves your proposed action as outlined in the last sentence of your telegram under reference.

You will of course bear in mind in this connection the Department's 262 to Nanking, September 24, 1937, 2 p. m.,<sup>20</sup> and Department's 14 to Peiping, January 14, 6 p. m.

WELLES

493.11/2114: Telegram

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

WASHINGTON, June 14, 1938—6 p. m.

152. Embassy's 179, March 19, 1 p. m.<sup>20</sup> The Department is of the opinion, in which Treasury concurs, that there is warrant for accepting the Chinese Government's interpretation with regard to interest deductions and you are therefore authorized to inform the appropriate authorities of the Chinese Government that the American Government accepts the contention of the Chinese Government to the effect that interest for the second half year on the amortization portion of Boxer Indemnity payments made during the first half year may be deducted annually from the December instalment.

HULL

CONCERN OF THE UNITED STATES RESPECTING RESTRICTIONS  
UPON A FREE MARKET IN CHINA AND UNPAID CLAIMS BY CHINA  
DUE TO ABNORMAL CONDITIONS <sup>21</sup>

893.6363/180

*The American Ambassador in China (Johnson) to the Chinese  
Minister for Foreign Affairs (Wang Chung-hui)* <sup>22</sup>

HANKOW, June 15, 1938.

DEAR DR. WANG: At the request of the Standard-Vacuum Oil Company in Hankow, I would like to bring the following matter to the attention of the competent officials of the Chinese Government.

<sup>20</sup> Not printed.<sup>21</sup> For previous correspondence, see *Foreign Relations*, 1937, vol. iv, pp. 643 ff. and 662 ff.<sup>22</sup> Copy transmitted to the Department by the Embassy in China without covering despatch; received about August 8.



It is the Company's understanding that the National Control Commission of Liquid Fuels, recently organized at Hankow, was created because it seemed desirable, under the special circumstances arising from present conditions in China, to find means to assure a sufficient supply of oil products at interior points to satisfy legitimate requirements and to provide for the distribution of such products to legitimate consumers, at reasonable prices. In furtherance of its program, the Commission has requested the Company to observe certain restrictions as regards the sale and transportation of the products in question.

The Company, having in mind the special circumstances mentioned above, is prepared to comply with this request as far as may be possible, and has requested that the Chinese Government be so informed.

The Company wishes to place on record, however, the fact that such compliance is to be without prejudice, and that it is undertaken with the expectation that upon the termination of present abnormal conditions these temporary restrictions upon a free market will be withdrawn.

Yours truly,

NELSON TRUSLER JOHNSON

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393.115 Standard Vacuum Oil Company/29 : Telegram

*The Consul General at Shanghai (Lockhart) to the Secretary of State*

SHANGHAI, June 22, 1938—4 p. m.

[Received 8:36 p. m.]

836. Standard Vacuum Oil Company reports Chekiang Provincial Government has set up control board for supervision of importation and distribution of certain merchandise including petroleum products and has organized a company to control the importation and distribution of petroleum products throughout the seventh section area including Haimen, Lukiao, Hwangyen, Linhai and Tientai.

Letter further states that for some months the company has been dealing with a control commission set up by the Central Government in Hankow with similar aims, namely control of distribution, prevention of profiteering and prevention of imports from enemy sources. Company's attitude, already expressed to American Embassy and Hankow control board, is non-agreement to any other measures resulting in restriction of free trade and compliance with restrictive regulations, when unavoidable, only under protest.

Letter further states that British petroleum importer[s] have taken same stand in communications to Chinese authorities both direct and

through official channels. While reasons for such measures during hostilities are apparent and while, in some localities, company may be forced to acquiesce, its present chief concern is to maintain as far as possible its trading rights and forestall continuance of control measures after emergency has passed.

Letter requests communications of company's views to Chinese authorities concerned.

I have written to the Chekiang Provincial Government reviewing rights of American interests involved and requesting that they be relieved from these restrictions.

Repeated to Hankow and Peiping.

LOCKHART

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893.512/1521 : Telegram

*The Consul General at Canton (Linnell) to the Secretary of State*

CANTON, July 16, 1938—11 a. m.  
[Received July 18—8:58 a. m.]

Reference is made to my despatch to the Department No. 102, dated June 11, 1938<sup>24</sup> concerning the attempted collection of transit taxes by the Province of Kwangtung. The Provincial authorities have now announced that an office will be opened at Shumchun on the Kwangtung-Hong Kong boundary for the collection of a transfer tax on all goods passing through the province. This tax will amount to 60 percent of the duty charged by the Customs on the same goods.

Sent to Hankow, Peiping.

LINNELL

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893.512/1521 : Telegram

*The Secretary of State to the Consul General at Hankow (Josselyn)*

WASHINGTON, August 6, 1938—3 p. m.

For the Ambassador. Reference Canton's July 16, 11 a. m., in regard to transit taxes. The Department assumes that you have made appropriate representations to the Chinese Foreign Office.

Please inform Canton that the Department has not received the despatch referred to in the telegram under reference.<sup>25</sup>

HULL

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<sup>24</sup> Not printed.

<sup>25</sup> The despatch (not printed) was received two days later, August 8.

893.512/1526 : Telegram

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

CHUNGKING, August 12, 1938—noon.

[Received August 12—8:35 a. m.]

403. Reference Department's telegram August 6, 3 p. m., to Hankow in regard to Kwangtung transit taxes. Embassy made written representations on above-mentioned subject to Chinese Foreign Office on June 23 and July 26 but no reply has been received to date. Copies of correspondence, including Canton's despatches numbers 102, 103 and 104 of June 11th, 15th and 28th, were enclosed with Embassy's despatches numbers 45 and 61 of June 23 and July 26 to the Department.<sup>26</sup> Copies of latter two despatches were mailed to Canton.

JOHNSON

893.512/1527 : Telegram

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

CHUNGKING, August 25, 1938—noon.

[Received August 25—7 a. m.]

423. Following telegram has been received from Chefoo.

"August 22, 4 p. m. Referring to the Embassy's telegram August 12, noon, Bureau of Finance and Bureau of Police are both attempting to collect automobile license taxes from foreigners resulting in double taxation. There is no guarantee that either bureau will use the fees for road repairs. Controversy between the two municipal bureaus has led to a revision entirely of taxation on foreigners which may bring about one central municipal office charged with collecting taxes from foreigners. Pending adoption of definite tax program by municipal authorities and centralization of tax collection I would respectfully suggest Americans be advised to refrain from making voluntary contributions in payment of vehicle license fees and any new municipal taxes. I am awaiting the Embassy's instructions before taking any action. Sent to Chungking. Repeated to Peiping."

I have sent the following instructions to Chefoo.

"August 25, noon. Suggestion contained your August 22, 4 p. m., is approved.

Sent to Chefoo. Repeated to Peiping."

JOHNSON

<sup>26</sup> None printed.

893.51 Con. Ob. Andersen Meyer and Co./51 : Telegram

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

WASHINGTON, December 27, 1938—5 p. m.

313. Your 605, December 19, 10 a. m.<sup>27</sup> The matter of the claims of certain creditors of the Peiping-Suiyuan Railway was taken up with the Japanese authorities on the basis of information tending to indicate that the line was operated by a Japanese Government controlled and directed company and that such operations were resulting in income in excess of operating costs, which surplus might properly be used to meet payments falling due under the respective contracts between American creditors and the Railway.<sup>28</sup>

Since the Department is not informed that a similar situation exists with reference to the Peiping-Hankow Railway, it would not appear to be in a position to take up with Japanese authorities at this time the matter of claims of American creditors against that railway. Inasmuch as the obligation to make payments stipulated in the contract of October 31, 1933 rests primarily on the railway and the Chinese Government, Department desires, as a preliminary to the giving by it of further consideration to the question whether representations to the Japanese Government should be made, that the Embassy take up with the appropriate Chinese authorities the matter of making payment of overdue installments and the resumption of monthly payments.

Department desires to be kept informed of developments.

Repeated to Peiping.

WELLES

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<sup>27</sup> Not printed.

<sup>28</sup> See telegram No. 234, September 2, 6 p. m., to the First Secretary of Embassy in China, p. 463.

CHINA

(See volume III, pages 1-752,  
and *ante*, pages 1-583.)

## JAPAN

### POLITICAL DEVELOPMENTS IN JAPAN; <sup>1</sup> INCREASING TREND TOWARD TOTALITARIANISM

894.00/771

*The Ambassador in Japan (Grew) to the Secretary of State*

No. 2727

TOKYO, January 6, 1938.

[Received January 24.]

SIR: Enclosed with this despatch are copies of translations as published in the *Japan Advertiser* of the public messages released on January 1 by Japanese officials,<sup>2</sup> in accordance with the prevailing custom of new year pronouncements.

All the messages maintain a tone of optimism. Most put in a word for renewed exertions by the nation, and some forecast 1938 as a year of great importance in the destinies of Japan.

Premier Konoé speaks with a sense of impending renaissance, changes in 1938 more significant than the Meiji restoration period or the Russo-Japanese war. He says that Japan's effort is to help China recover from degeneration, and that nothing short of such recovery is vital to Japan's own security. There is probably a warning of further government control when the Premier states that Japan must more fundamentally mobilize the whole strength of the whole nation for the objectives of the state. In discussing China he holds out an invitation to a new régime. He asserts that responsibility is keenly felt for mishaps to British and American vessels on the occasion of the fall of Nanking.

The Foreign Minister calls attention to the Sino-Soviet non-aggression pact<sup>3</sup> as a political guarantee of continued supplies to China of Soviet munitions. He expresses pleasure over the amicable settlement of the *Panay* incident, and anticipates continued friendship with the United States as a good neighbor. Mr. Hirota expresses gratitude for the friendly attitude of Germany and Italy, and soft-pedals the anti-comintern accord<sup>4</sup> by ascribing its significance to cultural relations. He speaks with favor of Italian recognition of "Manchukuo",

<sup>1</sup> Continued from *Foreign Relations*, 1937, vol. iv, pp. 703-723.

<sup>2</sup> None reprinted.

<sup>3</sup> Signed at Nanking, August 21, 1937, League of Nations Treaty Series, vol. CLXXXI, p. 101.

<sup>4</sup> See *Foreign Relations*, Japan, 1931-1941, vol. II, pp. 153 ff.

and of exchange of notes of recognition between "Manchukuo" and the Franco régime in Spain.

The Home Minister, Admiral Suetsugu, glorifies the victories in China and admonishes preparation for protracted war, asserting that the international situation confronts Japan with difficulties in the years ahead.

Finance Minister Kaya speaks as if pleased with the results of emergency financial measures thus far and pleads for diminution in popular consumption.

The message of Mr. Yuki, the governor of the Bank of Japan, has more to say than Mr. Kaya's. Although finding the operation of emergency measures satisfactory he points out that more money was put in circulation by the government in 1937 than in 1936, and that in 1938 the sum must be larger still. He admits that absorption of government bonds has not been fully satisfactory, he favors maintenance of the foreign exchange rate, and he anticipates that the coming year, though not one of panic, will be one of recession.

Mr. Yoshino, Minister of Commerce and Industry, states that Japanese imports for eleven months through November exceeded exports by ¥650,000,000 and that the adverse balance in 1938 will be worse. He urges economy in consumption while keeping open the importation of essentials, and in general betrays no great concern for the present condition of the country.

The Minister of Agriculture and Forestry gives himself particularly to exhorting the rural population to continued sacrifices. He is however frank enough to indicate that in rural districts the people are beginning to feel shortages in labor, agricultural machinery, fertilizers, fodder, and oil.

New year messages would ordinarily be optimistic rather than otherwise, but even making full allowance for this natural bent it still remains unlikely that the dominant views of the officials of the government are other than those expressed. The nation is confident. Hostilities in China have progressed rapidly and successfully, and the serious economic load necessary therefor has been borne with very little domestic hardship. It is in the country districts that the burden will in all probability fall with the greatest impact, but that effect can be deferred for some time, and has not yet become a pressing problem. Two convictions appear to prevail among the people and among the men in office: first, that Japan is at grips with problems of prime importance in the country's history; and second, that the nation is equal to the task.

Respectfully yours,

JOSEPH C. GREW

894.002/350

*The Ambassador in Japan (Grew) to the Secretary of State*

No. 2740

TOKYO, January 21, 1938.

[Received February 7.]

SIR: On December 13, 1937, Admiral Nobumasa Suetsugu became Japanese Minister of Home Affairs, succeeding Mr. Baba who had resigned shortly before for reasons of health. Mr. Baba had been one of the strongest leaders in the Kono cabinet—the individual most relied upon by the Premier, according to a statement made in October by the Premier's private secretary in personal conversation with a member of my staff—and his resignation with the usual explanation of poor health gave immediate rise to rumors of political intrigue. These rumors were however dispelled a few days later by Mr. Baba's sudden death from pneumonia.

The new Home Minister, Admiral Suetsugu, was born in 1880 and graduated from the Japanese naval academy at the age of nineteen. He has risen rapidly through an active naval career, becoming rear admiral in 1923, commander-in-chief of the combined fleet in 1933, full admiral in 1934, member of the supreme war council in 1935, and, since commencement in July 1937 of the hostilities in China, returning to the more active stage in the office of cabinet councillor.

Suetsugu's appointment to the Home Office shows how far the orientation of Japanese politics veered during the year 1937. Subsequent to the grave national warning embodied in the insurgency of February 26, 1936, it was a conscious and determined aim of Japanese leaders to clear from the ranks of the military services the political machinations which were so seriously threatening military discipline. The composition of every cabinet from that time forward has borne evidence of that aim. The officers named to be the War and the Navy Ministers in each succeeding cabinet were not chosen from the partisans: they have been the ablest, most regular, and politically and factionally most uncommitted men available. This is not to assert, on the other hand, that they have been men opposed to a pre-eminent ascendancy of the military services in the formulation of Japanese policy; but care has been taken that they be not chosen from the groups in the movement out of which developed the political assassinations and attempted coups of the last half-dozen years. Now, with the appointment of Admiral Suetsugu, that principle of avoidance is abandoned. The new Home Minister, though never considered one of the conspirators in any of the various incidents, is definitely of the group standing for a renaissance of Japan under army-navy dominance.



In 1928 Suetsugu became vice chief of the naval general staff, and it was from that office that he resigned in protest over Japanese adherence to the London naval treaty.<sup>6</sup> Those opposed to limitation of the Japanese navy took the position that the government misused the prerogative of the Emperor in overriding the opposition and ratifying the treaty, and the cabinet was seriously embarrassed in consequence of the gravity which the question assumed. In this juncture Suetsugu became the spokesman and leader of the big-navy group, and he still enjoys that distinction. Outspoken, confident, direct, severe, chauvinistic, dominating, he has the very qualities which make the select type idealized by the Japanese military mind.

By the time of the political assassinations of May 15, 1932,<sup>7</sup> Suetsugu found himself one of the idols of the conspirators. Politically ambitious, he was careful, at that time and since, to do nothing to lose the confidence of the young direct-actionist officers. He continues to be looked upon as the high naval officer most approved by the younger politically-minded men in the army and navy. By reason of this following, which is again assuming importance with the progress of the warfare in China, and by reason of Admiral Suetsugu's recent elevation to the responsible cabinet position of Minister of Home Affairs, particular interest attaches to an interview with him published in the current January issue of the Japanese monthly periodical *Kaizo* (enclosure 1<sup>8</sup>). In that publication the interview is dated December 11, two days before Suetsugu became Home Minister.

The *Kaizo's* interview ascribes to Admiral Suetsugu the expression of a number of frank views as follows: He asserts that Kiangsu, Anhwei, Kiangsi, and part of Hupeh will be in Japanese hands, and that the Nanking Government will become a merely local regime if surviving at all. Even Soviet and British aid to China will not avail. The realities in north China call for a new regime. Other local governments will naturally arise elsewhere. All these governments, at one in a common sympathy for Japan, can be expected to unite. The interest of the white peoples in China is an interest in profit in trade; the Japanese interest is more inclusive and can not be guided by the leisurely logic of occidentals. Cooperation of Japan, Manchuria, and China is essential. Whether or not this will mean ejection of the whites from eastern Asia must be a critical issue for the future course of history. World peace is impossible unless the colored races are rescued from their miserable slavery to the white races. To bring the liberation about quickly might mean great bitterness, but the goal is clear. China boasts that it can resist indefinitely; this must mean

<sup>6</sup> Signed April 22, 1930, *Foreign Relations*, 1930, vol. I, p. 107.

<sup>7</sup> See *ibid.*, 1932, vol. IV, pp. 684 ff.

<sup>8</sup> Not printed.

counting on British assistance. This evil must be extirpated at the root, even at the cost of a clash between Japan and Great Britain. Japan is strong and will never come to Germany's fate of defeat by blockade. In event of war between Japan and Britain the United States would surely stay out. Singapore would be difficult to reduce, but Hongkong is vulnerable to submarine and aircraft attack. A Japanese declaration of war on China would be useful in stopping British sale of arms to China. The fall of Nanking is a mere prelude to the most important part of the hostilities; the major fighting is over, but the real war is still ahead.

In conversation (enclosure 2, despatch 2738, January 21, 1938<sup>o</sup>) on January 7 the British Ambassador informed me of having brought to the attention of the Japanese Foreign Office this anti-British outburst of a man in high Office, pointing out that although the interview was dated two days previous to Admiral Suetsugu's becoming Home Minister it was not published until several weeks thereafter and could easily have been stopped in the interval. This observation is scarcely pertinent because even at the time of the interview itself Suetsugu was already a cabinet councillor, which amounts to being a cabinet minister without portfolio, and the same limitations upon public expression of views might be expected from such an official. The fact is that the air in Japan is so charged with anti-British sentiment that such expressions from men in office do not seem at all surprising to Japanese; and it can be confidently predicted that the British Ambassador will obtain no satisfaction in the matter.

It is common knowledge that Admiral Suetsugu favors a declaration of war against China, chiefly as simplifying Japanese action against the British in China. His arguments have been heard and weighed by the Government, and no war has been declared. But Japanese friction with Great Britain in China is not over. Japan, in the midst of a campaign of conquest, finds herself face to face with British territorial possessions and jurisdictional and political interests in China, all of which stand in the way of the completeness of Japan's conquest. There is therefore a substantiality to Britain's interference to Japanese expansion which is not paralleled by American interests in China; and the Japanese attitudes toward the United States and toward Great Britain are not in the same category. There is no indication that relations with Great Britain are destined to improve in the near future. Rather is increasing friction to be expected, particularly growing out of difficulties at Hongkong. If such is the future course Admiral Suetsugu must become a more and more formidable figure in Japanese politics.

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<sup>o</sup> Neither printed.

Admiral Suetsugu's ascendancy is a regression reminiscent of the Araki<sup>10</sup> days. The soldier statesmen, the soldier politicians, are once again in the spotlight. They can not be relegated to the wings in times like the present, when the military services are determined to make a clean sweep of outstanding scores in China. A leader whose bent is strongly and confidently anti-British is that much more in step with the times. Frequent mention of Suetsugu as probable successor to Prime Minister Konoe is not idle chatter. There can be little question that the present conjuncture favors his political future.

Respectfully yours,

JOSEPH C. GREW

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894.00/772: Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, February 14, 1938—6 p. m.

[Received February 14—9:05 a. m.]

105. 1. Sensational rumors are current that the parties are so strongly opposed to a bill to "mobilize national resources" which is shortly to be presented to the Diet by the Government that a political crisis of the first order might be precipitated. It is my purpose in presenting the following estimate to be helpful to the Department in weighing despatches on this subject from American correspondents.

2. The bill is now being drafted by the National Planning Board and the Bureau of Legislation and its precise terms are, therefore, not known. The Government has, however, been informally explaining the principal features of the measure to members of the Diet and has made it clear that the purpose of the bill is primarily to place under the control of Imperial Headquarters in time of war or of "incidents" virtually all forms of productive industry. Opposition is being expressed by various parliamentary elements to the proposed delegation to the executive of authority to apply such control along with the authority to impose by executive ordinances restrictions in various other ways on the right of private initiative. It is being affirmed that the measure is intended to be a prelude to the introduction of an authoritarian form of government.

3. The suggestion has been thrown out that the political parties will make the presentation of the bill an occasion for a definite stand against the increasing control over Government by the army which is reportedly insisting upon the enactment of the bill. There seems to be no doubt but that the scattered remnants of the so-called liberal element are gathering together to defend as far as possible the right

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<sup>10</sup> Gen. Sadao Araki, Japanese War Minister, December 1931-January 1934.

of private initiative. We understand, however, that their opposition is concentrated on the fact that the bill is being drafted with too broad a pen and will provide for the details being filled in by executive ordinances. It is still too early to say whether or not the army will agree to the bill being made more explicit. However, a prominent member of the Diet informed us today that he expected that the bill would eventually be approved after extensive alteration.

GREW

894.00/778

*The Ambassador in Japan (Grew) to the Secretary of State*

No. 2798

TOKYO, March 2, 1938.

[Received March 22.]

SIR: I have the honor to transmit herewith clipping<sup>11</sup> from the *Japan Advertiser* for February 4, 1938 of an interview with General Araki, which has since been the cause of difficulties and threats.

The newspaper account, followed as it was by two explanatory statements printed on different days and by comment in an editorial of a competing paper, caused the Embassy to inquire into the matter, and the following information has been obtained.

The original interview was first granted by General Araki to Mr. Frank Hedges, an American newspaper correspondent long resident in Tokyo. Mr. Oland D. Russell, at present a member of the staff of the *Japan Advertiser*, asked Mr. Hedges if he could accompany him. This was arranged, and both Mr. Hedges and Mr. Russell attended. Mr. Hedges has continually upheld Mr. Russell's report of what was said, and there has in fact been no direct questioning of its accuracy. Mr. Russell is an experienced newspaperman who was news editor of the *Japan Advertiser* a number of years ago, went to New York where he served until recently as cable editor of the *New York World Telegram*, and is now in Tokyo on leave of absence for a few months with a commission from Little, Brown and Company to write a book about the Mitsui family. While temporarily in Tokyo his services are being availed of by the *Japan Advertiser* in a part-time capacity.

On the part of General Araki the interview itself was arranged largely by a certain Kumasaki, who acted also as the General's interpreter. Mr. Kumasaki is an experienced linguist, brother of a former officer of the Japanese foreign service, and is often used by government departments at Tokyo in foreign contact work.

Among other ideas General Araki put considerable emphasis on the self-sufficiency of Japanese national thought and political philos-

<sup>11</sup> Not reprinted.

ophy, and in reference to the Japan-Germany-Italy pact against communism made a good deal of the assertion that Japan's participation is motivated by the anti-communist usefulness of the pact, not by a spiritual background shared with the fascist states of Europe. The *Advertiser* raised this to headlines in the words "Japan's Link to Fascism Expediency, Says Araki."

The paper immediately received a letter in General Araki's name admitting that the General's interpreter might have used the word expediency in the interview, and stating that he in fact had no intention of conveying the meaning of a sacrifice of moral principles to facilitate some end. The following morning, February 5, this letter was printed on the front page, as the interview had been.

Later in the day (February 5) the *Advertiser* office received a telephone message, purportedly from General Araki's household, stating that the General would like to see the editor of the paper, Mr. Wilfred Fleisher. It was explained that it would be difficult for the editor to come at that time but that Mr. Russell would be glad to call upon the General. In discussing the time when a conversation could be arranged Mr. Russell suggested a meeting a few days hence, but was told in peremptory manner that it would be to the interest of the paper to comply immediately. A meeting that evening at the Tokyo Club was agreed to. When Mr. Russell appeared with his interpreter at the Tokyo Club at the agreed hour he found a message there directing him to proceed to the General's house. Arriving at the residence Mr. Russell and his interpreter overheard a heated discussion going on in an adjacent room, at the conclusion of which the General, flanked by two men obviously ruffians, came out to the reception room where Mr. Russell and his interpreter were waiting. The General appeared plainly embarrassed and began in an apologetic manner, whereupon his escorts took matters in their own hands and coming up to Mr. Russell said that things would soon be hard for Mr. Fleisher's Jew paper and that it might just as well close down now. These remarks were accompanied by some pushing and obvious efforts to give the impression of threatening physical violence. Mr. Russell asked what objections to the paper's policy he could report to Mr. Fleisher, and the conference got down to its immediate purpose. The General's two attendants referred to the interview with General Araki as reported in the *Advertiser* of February 4. After hearing their suggestions Mr. Russell drew up a statement (later published on the morning of February 7), and this was finally agreed to after a discussion between the General's men, in which the General was practically overlooked, according to Mr. Russell's account.

Thereupon Mr. Russell mentioned General Araki's statement, in his letter of February 4 commenting upon the interview as published,

that the General was impressed with the accuracy with which the interview was rendered into English. When this comment by Mr. Russell was translated into Japanese the General's attendants were infuriated. It was obviously their first information of the letter and they immediately demanded explanations of General Araki. The subsequent discussion seemed to disclose that the letter was the work of Mr. Kumasaki. After some time it was agreed that in spite of the letter the *Advertiser* should nevertheless print the statement just drafted by Mr. Russell.

Mr. Russell next drew attention to the fact that he had cabled his interview to the United States and that it had already been published. This aspect, to Mr. Russell's surprise, caused no interest. The men stated that the reaction abroad is a matter of no importance, and pointed to the reaction within Japan as their only interest. Thereupon the conversation ended and the *Advertiser* printed the statement agreed to.

Mr. Russell's interpretation of the incident is that it suggests that there are groups in Japan aiming at keeping General Araki's record clear in order that he may be used as the head of some political movement, probably reactionary, aiming at the displacement of the present political parties by a single organization. The evidence of the Japanese interpreter who accompanied Mr. Russell is that the General's two attendants were unmistakably of the organized ruffian class which is by all odds the most dangerous to deal with in Japanese life. Even when General Araki was Minister of War he was largely a figurehead for other leaders, and there is plausibility in the estimate that he is still thought of for a similar use again by certain groups having extremely reactionary plans for the solution of Japan's present difficulties. Such groups would wish him to keep clear of any public statements which might tend to alienate fascist sympathies.

Respectfully yours,

JOSEPH C. GREW

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894.00/779

*The Ambassador in Japan (Grew) to the Secretary of State*

No. 2799

TOKYO, March 3, 1938.

[Received March 22.]

SIR: The Tokyo public was treated in the latter half of February to a semi-official and much publicized exhibit on the subject of foreign propaganda and intelligence methods, as described in a clipping enclosed herewith.<sup>12</sup> The newspaper account is a fairly accurate description.

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<sup>12</sup> Not reprinted.

The exhibit is one illustration of the many means being currently employed in Japan to sustain support in public opinion for prosecution of the Government's foreign policy. Its principal theme is that opinion abroad is manufactured, and that where such foreign opinion is anti-Japanese it has been made so by organized effort. There is of course no suggestion that opinion in Japan is amenable to like influences.

It is noteworthy that from Germany Japan has now taken over as new motif the campaign against the Jews. In the exhibit the Jews are identified with the Communist International, are described as having effective world-wide organization, and are represented as having sinister power in the control of the news. That this propaganda-stimulus can be thought potentially valuable by Japan, which has no Jewish question, is a provoking reflection on the susceptibilities of the human emotions.

The spy mania was deliberately fed by the exhibit. Increasing suspicion toward foreigners and annoyance by would-be patriots is probably to be expected as the wartime psychology grows hereafter.

The most disturbing symptom to be observed in this exhibit, as also in the present trend of the press and thought in Japan, is the unqualified acceptance of a world alignment of countries in hostile systems. Japan no longer sees herself as a country working out a solution of problems confined to one part of the earth: more and more the thought is being built up that Japan is party to a world-wide crusade against communism. The pact between Germany, Japan, and Italy is bearing fruit in the field of thought. In 1931 and 1932 the public mind was guided to think of Manchuria as the life-line of Japan; later it was pressed to see that a China not friendly to Japan could not be tolerated. Now the propaganda stage is further expanding.

Respectfully yours,

JOSEPH C. GREW

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894.00/775 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, March 5, 1938—noon.  
[Received March 5—10:35 a. m.]

149. Our 105, February 14, 6 p. m.

1. Considerable friction has recently developed between the Government and the political parties. Meetings of the Lower House of the Diet and of committees have frequently been marked by disorders and by violent denunciation of the Government on the charge of attempting to circumscribe personal liberties and private initiative.

2. There have been a series of incidents recently tending to support that charge. A fortnight ago the offices of the political parties were forcibly occupied by members of an anti-communist association which has been demanding the dissolution of the parties and the police failed to afford adequate protection. The leader of the Social Mass Party was physically assaulted a few days ago, presumably by a reactionary. An army officer appearing before a committee of the Lower House to explain the National Mobilization Act improperly harangued the committee and when interrupted ordered a member to "shut up". These and other incidents along with legislation drafted by the Government pointing toward restriction of private initiative and personal liberties have created widespread suspicion that an element within the Government, headed by Home Minister Suetsugu and covertly encouraged by the Prime Minister, is aiming at bringing about changes along totalitarian lines in the political and social structure of the country.

3. Although the criticism by the political parties of the Home Minister is vehement some of it is theatrical and done for effect. His resignation is being demanded but it remains to be seen whether the Prime Minister who is tied to Suetsugu by obligations of personal friendship will agree to sacrifice him. I am reluctant to make forecasts on Japanese political developments but it seems that the indications are strong that the political parties will not at this time, when the nation is involved in hostilities with China and is externally in a grave position, press the Government to a point where a political crisis of the first magnitude would develop. On the other hand I expect that the Government will make to the parties some gesture of appeasement.

Repeated to Shanghai for Hankow.

GREW

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894.00/773 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

Тоkyo, March 8, 1938—8 p. m.  
[Received March 8—10:30 a. m.]

159. My 149, March 5, noon.

1. The friction between the Government and the political parties which flared up in discussions on national mobilization bill during the first week of March came to a head in the last few days. A special Cabinet meeting held late Saturday night March 5 was followed by a series of conferences with party leaders as a result of which both of the leading parties repledged support to the Government.



2. Despite the renewed assurances of the political parties on Sunday March 6 that they would support the Government, which has relaxed the political tension, the electric power control bill, one of the principal Government bills in the present session, was amended on Monday in the Lower House in a manner clearly unsatisfactory to the Government. Moreover the parties continue to use obstructionist tactics on the national mobilization law now in committee.

3. Efforts continue toward the early formation of a single national party on the basis of the existing groups. A majority of the leaders of the two principal parties, the Minseitō and the Seiyūkai, appear to have indicated willingness to support their parties' identity in a single party, realizing that they have but two alternatives: either become a part of the single party or face complete extinction through the creation of an entirely new political grouping sponsored by the Government. Most observers are agreed that Prince Kōnoe would be favorably inclined to the leadership of the new party despite refusals in earlier stages of the development of the single party movement.

GREW

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894.00/788

*The Ambassador in Japan (Grew) to the Secretary of State*

No. 2912

TOKYO, May 2, 1938.

[Received May 21.]

SIR: I have the honor to refer to my telegram 239, April 11, 6 p. m.,<sup>13</sup> in which I reported that differences of opinion with regard to important policies had developed within the Cabinet, and to my telegram 282, April 28, 7 p. m.,<sup>14</sup> in which the opinion was expressed that these differences had apparently been tided over.

Although the internal political situation has been outwardly calm ever since the outbreak in July last of the hostilities with China, there have been a number of undercurrents indicating unrest: the political parties have been increasingly conscious of the futility of their opposition to the revival of bureaucracy, business elements have been intensely unhappy over the trend toward governmental control of industry and commerce, and among all classes there exists bewilderment with regard to the failure of Japanese operations in China to unfold more rapidly and successfully than has been the case. In spite of the extreme importance of maintaining national unity, and, further, of maintaining semblances of national unity, and in spite of the absolute power of those in authority to suppress all dissentient elements, the fact is significant that the existence of disunity within the Cabinet,

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<sup>13</sup> Vol. III, p. 138.

<sup>14</sup> *Ibid.*, p. 162.

the supreme directive and administrative agency of the Government, could not be concealed. The purpose of the present despatch is to estimate the significance of that fact.

The Prime Minister is not a bureaucrat, a militarist, a member of any political party, or a businessman. In this lies his strength, for his lack of affiliation with any of these groups has made him acceptable to all classes and groups. With Prince Konoye in the Cabinet are (aside from the Ministers of War and Navy, whose attitudes are always determined by the respective services) the Home Minister, Admiral Suyetsugu, a military firebrand, Minister of Agriculture and Forestry Count Arima, an aristocrat and a close friend of Konoye's, Minister of Overseas Affairs Count Otani, the head of a noble ecclesiastical family, Education Minister Marquis Kido, a bosom friend of Prince Konoye's, and a "string" of other ministers, all bureaucrats, some with party affiliations which are no longer important. We find then a cabinet of bureaucrats and friends of the Prime Minister, headed by a man without special obligations to any political faction.

The Government as thus constituted, aside from a minor change made last year, has administered the affairs of the nation through nine months of conflict with China. It has laid down as a fundamental policy that it has "ceased to deal with" the Nationalist Government of China. It has succeeded in the recent session of the Diet in securing the passage in substantially the form it desired of a large number of laws, some of them, especially the National Mobilization Law and the Electric Power Control Law, far-reaching in their ultimate effect on the Japanese political and social structure. Notwithstanding these accomplishments, to which should be added a fair measure of military success, doubt and apprehension with regard to future political developments appeared, and at the time of writing have not been entirely removed.

The recent Cabinet crisis—for lack of a more precise term—was precipitated by an observation, whether casual or made with calculated effect, by Prince Konoye that because of ill-health and other personal reasons he wished to resign the premiership. There then occurred a scurrying to-and-fro of important political figures—a sure sign in this country that serious political difficulties have arisen. Under banner headlines, the press took notice of the political crisis, but the voluminous discussions of the situation were sheer froth and gave no plausible explanation. It would have been entirely too ingenuous to believe that the situation had arisen over Prince Konoye's physical condition, which was widely stressed, for the reason that Prince Konoye has not been in robust health for several years. It was being repeatedly affirmed by his friends that Prince Konoye has no political ambitions; and from what we know of his personality and character we are inclined to agree with that statement. If ill-health were a controlling

factor, it would be reasonable to suppose that Prince Konoye would have actually resigned immediately after the session of the Diet, through which the Government carried through its legislative program practically intact, thanks largely to the efforts of Prince Konoye himself. Further, it must be assumed that no one realized more clearly than did Prince Konoye that the situation confronting Japan, both internally and externally, was not one which would allow him to resign for reasons of personal convenience. In the light of these considerations, it was obvious that the controlling factor in the situation was the question whether differences of opinion among those sharing in the execution of fundamental policies could be adjusted.

Among certain observers, the view was held that the crisis was caused by the insistence of a certain group within the Cabinet that the National Mobilization Law be immediately invoked. In the light of the formal assurance which the Government gave to the Diet that the law would not be applied during the period of the present hostilities in China, the reports which we had received in confidence from Japanese friends of a virtual cleavage over the carrying out of the China policy seemed to be a more correct estimate of the cause of the crisis. The latter view has been largely borne out by subsequent events.

As previously stated, the policy of the Japanese Government is to "cease to deal with the Nationalist Government". It is obvious that this phrase describes merely the negative aspect of Japan's policy, the declaration of January 16th<sup>15</sup> in which the phrase occurs being singularly uninformative on the affirmative aspects of policy and on the methods to be employed in their prosecution. It would be to beg the question merely to say that Japan seeks to destroy the Chinese Government by methods of force. There need to be considered such questions as the number of troops to be sent to China, the area of operations, purchase from abroad of supplies, maintenance of national credit, and a thousand and one other questions. Some of these problems fall within the jurisdiction or responsibility of the Government, while others fall entirely within the jurisdiction of Imperial Headquarters. It is to be supposed that the coordination of what might be desirable from a military point of view with diplomatic, financial and economic realities is in itself a fundamental problem. In theory satisfactory liaison between the two agencies is assured by specially appointed officers and, for a period of several months, by frequent meetings between officers of Imperial Headquarters and certain members of the Cabinet who formed an "Inner Cabinet"—the Prime Minister, the Foreign Minister, the War and Navy Ministers and the Minister of Finance. Nevertheless, according to reliable sources,

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<sup>15</sup> *Foreign Relations, Japan, 1931-1941*, vol. I, p. 437.

there has been a fundamental difference of opinion between that element of the Cabinet which follows Prince Konoye and Imperial Headquarters over the question of methods which should be used to bring the conflict with China to a successful conclusion.

The best information available is that Prince Konoye leads a group, including Mr. Hirota and Marquis Kido, which advocates the urgent need of bringing the conflict to a successful conclusion and whose conception of strategy, both military and political, is that it should be elastic and opportunistic. The War Minister, reflecting the opinion of Imperial Headquarters, is a proponent of the view that pressure steadily exerted on China, by military operations within limited key areas and by economic and financial measures, will eventually bring about the collapse of Chinese resistance. At first glance, such an alignment would seem to be paradoxical; but it is in fact not improbable. There is every reason why the Army, with a powerful potential foe on its right flank, would prefer to husband its resources as much as possible and avoid the risks inherent in dissipating its strength by conducting operations throughout the length and breadth of China. On the other hand, it can be reasonably assumed that Prince Konoye and his supporters are more alive than is the Army to the risks of involvement with Great Britain and the United States, and to the threat to Japan's material well-being, the longer the conflict continues.

Whatever satisfaction Prince Konoye can derive from the basic soundness of his position he cannot blink the fact that, in enjoying thus far the support of the Army, he remains in office only so long as it may please the Army to have him there. Knowing something of Prince Konoye, I am of the opinion that he would not have remained in the intolerable position of acting as a figurehead for the Army and that, notwithstanding a fundamental difference of opinion with the Army as to method, there existed until the crisis developed some common ground. It is interesting to note in retrospect that the Cabinet difficulties first became known immediately after the Japanese military reverse in Southern Shantung. In any event, General Sugiyama, the War Minister, made a literally flying visit to China to inspect conditions at the several fronts, Marquis Kido consulted the Elder Statesman, Prince Saionji, and Prince Konoye duly announced that he would continue in office. There are suggestions in the press that the military operations will be conducted hereafter with greater vigor, and, although no official statement to that effect has been made, an advance on Hankow is believed by many intelligent Japanese to be in preparation. I cannot support my estimate by quotation from authoritative sources, as no person in authority would permit himself to be approached on this subject; but it is my belief, as stated in my telegrams under reference, that there was a serious difference of opinion

among those in control with regard to what should be done by Japan in China and that this difference has been tided over, presumably by the making of a limited concession by the Army to the Prime Minister.

No useful forecast of future trends can now be made. Excluding the two Service members, the two most forceful individuals in the Cabinet are Marquis Kido, the Minister of Education, and Admiral Suyetsugu, the Home Minister. Marquis Kido is extremely well-informed and a definite realist. He is very close to the Prime Minister and is one of his most trusted and active advisers. Admiral Suyetsugu, on the other hand, is a visionary, and an active advocate of totalitarian doctrine. For Prince Konoye, it is no difficult or unpalatable task to accept Marquis Kido's advice and maintain a position of independence, while it does not seem to be "in" Prince Konoye to become the mouthpiece of such fanaticism as that with which the name of Suyetsugu has become associated. There are indications that Prince Konoye, in standing out against the Army, has won at least a partial victory and that the Army has "liked it". I am inclined to the view that the partnership will continue for some time.

Respectfully yours,

JOSEPH C. GREW

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894.00/790 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, May 26, 1938—8 p. m.  
[Received May 26—7:20 a. m.]

332. It has just been announced that following Cabinet appointments were made this afternoon: Foreign Affairs, General Ugaki; Finance and Commerce and Industry, Seishin Ikeda; Education, General Araki. Comment follows.

GREW

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894.00/791 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, May 26, 1938—midnight.  
[Received May 26—4:55 p. m.]

333. Our 330, May 25, 7 p. m.<sup>16</sup> and 332, May 26, 8 p. m.

1. Consensus of opinion interprets the Cabinet reconstruction as constituting a victory of those elements within the Cabinet, led by the Premier, who have been in favor of pursuing a more forceful policy with regard to the warfare in China over those elements, led by Sugiyama, whose China policy has not been considered sufficiently force-

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<sup>16</sup> Not printed.

ful. It is surmised that another "February 26 incident" was brewing and that the present reconstruction was delayed only until the victory at Hsuehchow permitted a Cabinet crisis to take place without loss of prestige abroad.

2. The complexion of the new Cabinet has obviously been worked out with a view to uniting various heterogeneous elements. Ugaki, a moderate, nevertheless commands the respect of the Army. Ikeda, a sound and conservative financier, enjoys the respect of the business world. Araki as Minister of Education combined with Suetsugu as Minister of the Interior will form a combination satisfactory to the most advanced positivists. The general belief is that Itagaki will shortly succeed Sugiyama, thereby adding strength to the chauvinist camp of the militarists.

3. Another change to be recorded is the relinquishment by Kido of Portfolio of Education to make room for Araki. Kido retains Portfolio of Public Health.

4. There is no doubt whatever that these changes reflect a public demand that the so-called China incident be brought to a close as soon as possible by increasingly positive and drastic measures but it is felt at the same time that the appointments of Ugaki and Ikeda will tend to create a stabilizing influence on Japan's foreign relations.

5. An interesting and possibly significant side light on the overturn is that Hirota this afternoon remarked to one of my colleagues that he was on the point of going to the Prime Minister to submit his resignation but that he "did not know what it was all about".

6. Ugaki's personal rank placed him next to Konoye in seniority in the Cabinet and it is reported that he will act as "Vice Premier". He is moderate with a following in the army which, although small in number, is of substantial influence.

7. Ikeda was for several years head of the Mitsui interests and later held office as Governor of the Bank of Japan. Notwithstanding his education in the United States and long association with the business world he is understood latterly to have become sympathetic toward "continental policy". In any event he has recently received several marks of favor from the army. The belief that he is *persona grata* to the Army is supported by the fact that he will now replace two men who were definitely liberal minded.

8. The most definite conclusion to be drawn from today's reconstruction is that the new Cabinet will be composed of positivists in the prosecution of the hostilities in China. In fact the public announcement of the changes instead of advancing the customary reasons of health states that they were made "to carry on the China incident with even greater vigor".

Repeated to Shanghai for Hankow.

894.00/792 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*TOKYO, May 27, 1938—6 p. m.  
[Received May 27—1:05 p. m.]

335. Our 333, May 26, midnight.

1. There is little information available today to add to our estimate contained in the telegram under reference of the causes and purposes of the reconstruction of the Cabinet. There is general agreement in the press and in private circles that the Cabinet is now representative of all positivist elements.

2. The following additional information has been obtained today:

(a) Although no specific reference has been made by the press to the forthcoming resignation of Sugiyama, it is now an open secret that he is to be replaced, probably by General Itagaki, although there is minority opinion that some other officer, perhaps General Koiso, will be appointed. General Umezu, now Vice Minister of War, is expected to leave office with his chief and to be replaced by General Tojo, one of the regional garrison commanders of metropolitan Japan.

(b) We must correct one detail of our previous estimate. We had good reason to believe that Hirota was a member of the positivist group in the Cabinet, and we were therefore somewhat puzzled over his replacement. We were informed today by a Japanese diplomat who is very close to the militarists that Hirota was closely associated with Sugiyama on the question of prosecution of the China conflict, and that he was confident until a few days ago that the Sugiyama bloc in the army would be able to retain control.

(c) There is no warrant for assuming that Ikeda will be the mouth-piece of big business although he is a man of acknowledged practical business experience. Informed circles confirm our understanding that he has become affiliated with those who favor national reconstruction in social and economic fields. However, according to the press, business has responded favorably to his appointment.

(d) Ugaki, who has been the leader of an army faction opposed to that led by Araki, has accepted Japan's China policy as a road on which there is no return. The opinion prevails that he has paved the way for eventually assuming the Premiership.

(e) We understand that General Itagaki has no factional commitments, but that he is both a positivist on the China conflict and a reconstructionist on domestic issues.

Repeated to Shanghai for Hankow.

GREW

894.00/793 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

Tokyo, June 3, 1938—7 p. m.

[Received June 3—7:13 a. m.]

352. Our 332, May 26, 8 p. m. It was announced this afternoon that General Itagaki is appointed Minister of War vice General Sugiyama, resigned.

Repeated to Shanghai for Hankow and Peiping.

GREW

894.00/814 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

Tokyo, September 29, 1938—8 p. m.

[Received September 29—9:45 a. m.]

635. 1. A high Japanese official has confirmed to us a report that the Minister for Foreign Affairs this afternoon submitted his resignation and is now awaiting decision by the Emperor.

2. The Committee of five Cabinet Ministers has been engaged in discussing the proposed organization of the board in which is to be centered direction of relations with and interests in China, and difficulty arose between the Foreign Office and the army over the insistence of the former that the China Board be placed under the effective jurisdiction of the Minister for Foreign Affairs. As censorship has been placed on this matter, further reliable details are difficult to obtain at this time.

3. A reasonable conjecture is that the action of Ugaki may be a maneuver to obtain the Emperor's decision in the current controversy between the army and the Foreign Office.

GREW

894.00/815 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

Tokyo, September 30, 1938—noon.

[Received September 30—1:40 a. m.]

636. Our 635, September 29, 8 p. m.

1. Decision was taken last night that Ugaki's resignation be accepted and that the Prime Minister assume concurrently for the time being the portfolio of Foreign Affairs and also of Overseas Affairs. Konoye's investiture in these two offices will occur this morning.

2. Sato and Arita, both former Ministers for Foreign Affairs, who were recently appointed advisers to Ugaki, have also resigned.



3. With the removal last night of the press censorship some light is now being thrown on yesterday's developments which were totally unexpected. A detailed account of the discussions of the various plans with regard to the projected China Organ will go forward by pouch,<sup>17</sup> but briefly stated the army insisted that the China Organ should be an indefinite agency, vested with authority not only to formulate policies vis-à-vis China but virtually to administer all parts of China under Japanese military occupation. Ugaki adopted at the outset the position of the senior officials of the Foreign Office, namely that the creation of an agency with such powers and having existence outside the jurisdiction of the Minister for Foreign Affairs would not only be unconstitutional but would render impossible the conduct of peaceful relations with countries having rights and interests in China. He insisted therefore that the proposed functions of the Organ be radically modified and that the Organ be brought within the organization of the Foreign Office. An official in the Foreign Office informs us that yesterday morning Ugaki, after a protracted discussion with his senior subordinates of a new compromise plan, indicated that he would bring the matter to a head at the conference of five Ministers to be held during the afternoon. It appears that at the conference he expressed flat opposition to the whole project, and then presented his resignation to the Prime Minister.

4. The press this morning roundly condemns Ugaki for divers reasons, but all the papers agree that, following the reorganization of the Cabinet in June, the need for political stability and unity at home transcended all other considerations.

5. Our provisional comment is that the basic cause for this crisis in the Cabinet is the cleavage of opinion among Japanese leaders, manifested in the resignation of Hirota and General Sugiyama from the Cabinet, over the question of what shall be done with China. The declaration of January 16, that Japan has "ceased to deal with the Nationalist Government", like Banquo's ghost continues to harass the extremists.

Repeated to Peiping and Chungking.

GREW

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894.00/819

*The Ambassador in Japan (Grew) to the Secretary of State*

No. 3300

TOKYO, October 4, 1938.

[Received October 21.]

SIR: The Embassy has had occasion at various times during recent years to invite the Department's attention to a groping in Japan to-

<sup>17</sup> *Infra.*

ward new and more centralized policy-determining bodies. This trend has paralleled the concurrent movement away from party politics (in even the attenuated form previously existing in Japan) and away from the ordinarily-organized Cabinet as the chief instrument of government. The trend was observable in the establishment of Cabinet counselors, later in the powers placed in Imperial Headquarters, and even more recently in the importance of the five-minister conferences. The present manifestation of the trend is the impending establishment of the Tai Shi In (China Board, or institute with regard to China), to be an organ in which to concentrate direction of Japan's relations with and interests in China.

Prediction has been made in the press that the China Board will be established and commence functioning by the close of October. There has been no authoritative statement of what will be its form or powers, but announcement has been made that about October 8 promulgation of an ordinance with regard to it is likely. It is feared that such promulgation will be too late for inclusion of translation in the pouch by which this despatch is going forward (leaving Yokohama October 8).

There has nevertheless been some credible discussion in the newspapers of the probable provisions of the forthcoming ordinance. The recent resignation of Foreign Minister Ugaki because of his opposition to the provisions being considered by the Cabinet removes the only obstacle in view, and it now appears even more likely than before that such provisions as are being considered will be put into effect. The newspaper discussion therefore seems of probable dependability.

According to the press, the China Board will operate entirely within the structure of the Cabinet. Its director will be the Premier; it will have four vice directors in the persons of the War Minister, the Navy Minister, the Foreign Minister, and the Minister of Finance and of Commerce and Industry. These are the five individuals who have made up the five-minister conferences, that system of war cabinet within the Cabinet which in the last months has become more and more dominant in the country's governing.

Under its director and four vice directors the China Board will have, according to the press, a large technical and administrative staff, defined in the usual Japanese manner by court rank. There will be three bureaus: general affairs, economics, and cultural relations. The chief of each bureau is to be of *chokumin* rank. Within the China Board there will be a special deliberative body made up of expert advisers and representatives of important elements of Japanese public opinion. The Board will also have a "contact" committee with some sort of intermediary capacity between the China Board organization on the one hand and on the other hand the five-minister conferences.

Again according to the press, the China Board's function is not only the direction of policy but also the exercise of actual administrative control in the field. Branches will be established in the occupied areas of China at a number of points: Peiping, Kalgan, and Shanghai have been mentioned. The press anticipates that the Board is to function only for the duration of the hostilities.

It would appear that the conferences of the five ministers are to continue to be the centralized policy-determining authority for problems and interests in China, and that the new China Board is an effort to create an organization to make more effective the control exercised by the five-minister conferences. The development is in part an empirical consequence of the relative success of those conferences in the last months; it is a crystallization of a process of concentrating of authority which has been going forward with the hostilities. But at this point it is necessary to temper the observation that the China Board is another step in the direction of concentration of power by again observing that it is expected to be a body within the structure of the Cabinet. Japanese leaders who foresee danger in possible assumption of exclusive political control by the military appear to derive satisfaction from the fact that the movement to establish the new body has been guided into the direction of subordination to the Cabinet rather than, for example, into the direction of subordination to Imperial Headquarters. It is probable that Premier Konoe sees as his most responsible task, at this juncture of Japan's history, the prevention of complete political control of the country by the military. This is not to assert that Prince Konoe is antagonistic to the objectives of the military class—on the contrary, there is ample evidence that he shares the same strongly nationalistic views and high belief in an expanding national destiny; but at the same time candid observation of his methods leaves room for doubt that he sees hope in abandoning the nation to leadership by the military themselves. It would seem to be a safe assumption that Prince Konoe considers the China Board a triumph of his efforts at moderating the pace of political change in Japan.

If the establishment of the China Board leads to better enforcement in the field of instructions issuing from Tokyo, it is not all loss from the point of view of the interests of the United States. The Department needs no reminding of the many instances in which gratifying assurances accorded our representations in Tokyo have failed of execution by the Japanese authorities in China. It is undoubtedly part of the hope back of the establishment of the China Board that it will mean stricter coordination. In my conversation with the

Premier on October 3<sup>18</sup> (telegram 640, October 3, 4 p. m.<sup>19</sup>) he spoke specifically of the China Board as being aimed at increasing direct control by the authorities in Tokyo over the Japanese authorities in China.

But even the most hopeful interpretation of this newest development can not conceal the great dangers which inhere in it for the future. China is overwhelmingly Japan's most important problem. It is not difficult to foresee a sweeping effect on other already-operating branches of the Japanese government by reason of the establishing of a new governmental body, highly led, appropriating to itself all matters having to do with China. It is furthermore a matter of apprehension that this change may survive as a workable instrument of centralized control, but may lose its present dominantly civilian direction.

Foreign Minister Ugaki's resignation and its relation to the China Board issue are discussed in the Embassy's despatch 3320 of October 7, 1938.<sup>20</sup>

Respectfully yours,

JOSEPH C. GREW

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894.00/820 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, October 29, 1938—1 p. m.  
[Received October 29—12:40 a. m.]

691. The following appointments to the Cabinet have just been announced: Hachiro Arita, Minister for Foreign Affairs; Yoshiaki Hatta, Minister for Overseas Affairs. Arita was formerly Minister for Foreign Affairs and Hatta was formerly Vice President of the South Manchuria Railway Company.

GREW

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894.00/823

*The Ambassador in Japan (Grew) to the Secretary of State*

No. 3380

TOKYO, November 1, 1938.  
[Received November 21.]

SIR: I have the honor to enclose a memorandum<sup>20</sup> entitled "Mobilization in Japan", prepared by Mr. Max W. Schmidt, Third Secretary of the Embassy.

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<sup>18</sup> See memoranda of October 3, *Foreign Relations, Japan, 1931-1941*, vol. I, pp. 781 and 782.

<sup>19</sup> *Ante*, p. 53.

<sup>20</sup> Not printed.

The memorandum deals with a movement now in process the importance of which is daily becoming more manifest. The word mobilization has been used in relation to this movement only for lack of a term which would be concisely descriptive of conscious effort, under the control of a central directorate, to rationalize and integrate all aspects of national activity. All nations, including even those which firmly rest on democratic principles, are today alive to the impossibility of conducting a major war without coordination of national resources, and as brought out in the memorandum, practically every nation has today some plan for coordinating its industrial, economic and financial resources to be put into effect in the event of war. The plan now being put into effect by Japan, however, is not intended to be merely for the duration of the hostilities with China: it is being instituted at this time for the reason that Japan, perhaps more than any other important Power, would be unable to conduct a major war without drastic coordination and control of resources; but the trend toward national mobilization had set in before the hostilities began. The memorandum makes entirely clear the ultimate objectives of those promoting and developing this movement, and if they are to have their way—and no competent observer will hazard the definite prediction that they will not—a change out of all recognition of the economic and industrial systems may be expected. Indications of an alteration in fact in the political structure are also present: the political parties are completely impotent and there is much talk—and much confusion—about the setting up of a national party.

These far-reaching changes have naturally given rise to the definite conclusion, especially abroad, that Japan is evolving into a totalitarian state. There is nowadays a too-common habit of placing political movements into carefully divided categories and of attaching to each movement some familiar and currently used designation. As drastic as are the changes to be carried out under national mobilization, we do not believe that there will emerge a state which in its superficial aspects and in many of its functional aspects, will be on all fours with Germany and Italy. It is unlikely that the national polity will be altered or that there will be material revision of the organic laws of the several branches of the Government. Nor do we think it likely that a personal dictatorship would be tolerated. We envisage rather a retention and strengthening of the Emperor cult, and unification of the various elements which now rule the country, perhaps eventually taking form in an organization by which the masses and all forms of national activity will be regimented, coordinated and integrated. What is evolving is totalitarianism, if one insists on using that term, but it will be totalitarianism *sui generis*.

I have complimented Mr. Schmidt on this memorandum, which is based largely on source material, there being available nothing on the

subject in any foreign language and surprisingly little by way of interpretation and commentary in Japanese. By dint of application and industry Mr. Schmidt has laid down the basis of further and continued study of an important movement the end of which is not in view.

Respectfully yours,

JOSEPH C. GREW

894.00/825

*The Ambassador in Japan (Grew) to the Secretary of State*

No. 3505

TOKYO, December 3, 1938.

[Received December 17.]

SIR: With reference to my despatch No. 3380, November 1, 1938, and as another step in the direction of national solidarity and mobilization in Japan under the Government's auspices, I have the honor to report that the movement, which began with attempts to form a new "national party", toward the creation of a new national organization has reached a definite climax with the announcement by the Cabinet of an outline for a national organization embracing representation in every existing public organization in village, town, city and prefecture.

The present political parties had resisted strongly the attempts to form a new political party. They advanced the argument that such a party was entirely unnecessary because present parties were cooperating to the fullest extent with the Government. To make this fact even more obvious, leaders of the Seiyukai and the Minseito announced in October and actually launched about the middle of November a series of mass meetings throughout the country. These assemblies were for the purpose of explaining the parties' recently established "National League for the Reconstruction of East Asia" and of bolstering the spiritual mobilization of the people to give greater support to Japan's "immutable policy". The first meeting on November 15, 1938, at the Hibiya Public hall in Tokyo was highly successful.

It was announced in the press on November 17 that Premier Konoé was to discuss with political leaders of the parties his plan for the "reorganization of the nation". At the same time, the *Asahi* reported that Prince Konoé had said that this movement must be of a broader scope than merely that of a national party, that it is essential for the disposition of the China incident and the building of a new order in East Asia, and that he had ordered Count Arima, Minister for Agriculture and Forestry, and Mr. Akira Kazami, chief secretary of the Cabinet, to consult other members of the Cabinet and to prepare a

draft plan of organization. Subsequent developments followed the usual pattern of negotiations within the Cabinet.

On November 24 the *Kokumin* newspaper reported that the movement was showing no progress owing in the first place to "an uncertainty concerning the reaction in financial circles and an inadequate appreciation of the movement within the Cabinet", emphasis being placed on the "indifference" to the movement in financial circles. It was stated that Premier Konoe was determined to launch the program but that he would not act until a "concrete plan is ready".

The next step was an announcement that the new program was to be an enlargement and reorganization of the Central League for Spiritual Mobilization which, it was said, has long been criticized for its inactivity and ineffectiveness.

On December 1 the *Yomiuri* published the outline of the organization of the new "National Council" (Kokumin Kyoji Kai). In this article the purpose is stated to be the "revitalizing of national solidarity and the promoting of a new order in East Asia by the uniting of every aspect of national power". Every organized body in the nation is to join. Premier Konoe is to be president of the National Council, and Home Minister Suetsugu and Education Minister Araki, vice presidents. The presiding chairman has not been decided upon. A board of directors, with representatives from all influential organizations, is to be set up as the executive organ. This board is to be subdivided according to cities, villages, etc. The local governor, mayor or head man will be the chief of the subdivision in his own district. A central bureau is to be organized for administrative work under the Board of Directors. A board of trustees is to be established as a consultative, deliberative body and will have representatives from all participating organizations. In addition there are to be formed prefectural branches under the local Governor. The organization in Prefectures, cities, villages, etc. will be built up on the pattern of the central organization.

First reaction in the newspapers has been on the whole unfavorable. They criticize the frequent changes made by the Government in its spiritual mobilization plans, suggest that the possible relation of this new organization with the Imperial Diet may be unconstitutional, and add that the fact that it is not clear whether this movement is actually a national party in disguise or an expansion of the Central League for Spiritual Mobilization lends to confusion and thereby defeats the purpose in view. The *Nichi Nichi* states that the movement is still dominated by the "spirit of the old organization" which failed.

An article appearing in the *Japan Advertiser* outlining the projected plan is enclosed.<sup>22</sup>

<sup>22</sup> Not reprinted.

There is but one comment which can, and needs to be, made at this time. It is apparent that the Prime Minister favors in principle the establishment of a national party such as the Fascist Party in Italy, or the National Socialist Party in Germany, but that he feels that the nation is not as yet ready. It is clear that this national reorganization movement is intended first to integrate the people politically, and that when that objective shall have been accomplished there is to be a conversion of the organization so formed into a national party.

Respectfully yours,

JOSEPH C. GREW

894.00/826 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, December 29, 1938—7 p. m.  
[Received December 29—9 : 10 a. m.]

813. 1. There has recently been much activity among politically important persons and a keying up of the political atmosphere which is perceptible even if the causes are not definitely known. Various rumors therefore are now current: (a) that the Prime Minister is about to resign and is to be replaced by General Minami (Governor General of Korea) or Baron Hiranuma (president of the Privy Council) or Marquis Kido (Minister of Public Welfare); (b) that the Cabinet is about to be reorganized by limiting membership to the heads of those departments directly concerned with high national policy and perhaps by some change of personnel; (c) that the Japanese Government is now in touch with Wang Ching Wei<sup>23</sup> and is formulating a definitive peace proposal.

2. The New Year holidays have already started and most of our reliable Japanese contacts are out of town. However, such inquiries as we have made brought out the opinion that it would be impossible for Konoye consistently with the sense of responsibility expected in this country of persons occupying a high public office to resign at this time. We are impressed by the fact that the Diet has just met for several days in a preliminary session and that the currency of rumors at this time of the year is seasonal. In the absence of reliable indications we are inclined to believe that rumors (a) and (c) above are being served out by those who find rumor (b) which contains some substantial element of probability too prosaic an explanation of actual symptoms of an impending political event.

<sup>23</sup> Chinese deputy leader of the Kuomintang (Nationalist Party) until recent arrival in French Indochina.



3. The foregoing is telegraphed as we understand that some of the American correspondents here have cabled speculative stories.

Cipher text by air mail to Peiping.

GREW

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894.00/827 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, December 31, 1938—6 p. m.  
[Received December 31—7:27 a. m.]

818. Department's 435, December 30, 7 p. m.<sup>24</sup> The organic regulations of the China Board were promulgated on December 16 on which date the Board was organized and began to function. Our despatch 3549, December 23<sup>25</sup> on this subject was sent forward in the pouch leaving on the day following.

GREW

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**REPRESENTATIONS TO JAPANESE GOVERNMENT AGAINST APPLICATION TO AMERICAN CITIZENS OF SPECIAL TAXES IN JAPAN FOR SUPPORT OF HOSTILITIES IN CHINA**

894.512/37 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, February 9, 1938—4 p. m.  
[Received February 9—9:05 a. m.]

88. The question has been raised by American residents here whether in view of the last paragraph of article I of the Treaty of Commerce and Navigation<sup>26</sup> they are subject to various special taxes the proceeds of which are to be applied towards the expenses of the hostilities with China. Please instruct by telegraph.

GREW

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894.512/37 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, February 11, 1938—6 p. m.

53. Your 88, February 9, 4 p. m. It is the Department's view that any special taxes imposed exclusively for the support of the present hostilities in China would clearly appear to be in effect "military exactions or contributions" from which American nationals are exempt under Article I of the Treaty of Commerce and Navigation.

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<sup>24</sup> Not printed.

<sup>25</sup> Vol. III, p. 431.

<sup>26</sup> Signed at Washington, February 21, 1911, *Foreign Relations*, 1911, p. 315.

Should you have information showing that American citizens have been or may be subjected to the special taxes in question, the pertinent facts should be telegraphically reported together with your comments as to the advisability of representations.

HULL

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894.512/38 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, February 17, 1938—4 p. m.  
[Received February 17—9:25 a. m.]

110. Department's 53, February 11, 6 p. m.

1. On February 12, 1937, there was promulgated a law providing for five new taxes the proceeds of which were to be deposited in the "North China special account". On September 10 there was created by law No. 85 the "temporary military expenditures account" which is stipulated by the law to be an account independent of and distinct from the "general account" of the Japanese Government. This latter law further provides that on all expenditures connected with the "North China Incident" (which has previously been disbursed from the general account) are to be paid from the above special account and that certain specific revenues including the taxes above referred to are to be paid into such special account. It seems clear from the foregoing that the proceeds of these taxes are not being paid into the general exchequer for meeting the normal and general expenditures of the Japanese Government but that they are on the contrary being earmarked and expended solely for military purposes.

2. We understand that certain American residents have been called upon to pay one or two of the special taxes which have a direct incidence but so far as we know none of them has paid.

3. It is our view that the special taxes above referred to and other similar taxes now before the Diet are for the special and sole purpose of financing military operations in China and that exemptions should be claimed in respect of American citizens on the basis of treaty provisions.

4. We suggest that we be authorized as a first step to make oral representations to the Foreign Office including the leaving of an *aide-mémoire* which would present the facts and conclusions above outlined and would conclude with a paragraph substantially as follows:

"It seems beyond assault of doubt or cavil that the taxes under reference, along with other taxes which may hereafter be laid down for the specific purpose of providing funds for military purposes in China, fall, insofar as citizens of the United States are concerned, within the prescription set forth in the last paragraph of article I of the Treaty of Commerce and Navigation of 1911 between the United

States and Japan, which reads as follows (text omitted). The American Government would, therefore, welcome an expression from the Japanese Government of concurrence in the view that the taxes under reference are not applicable to citizens, whether private or corporate, of the United States, and invites an assurance that measures which have been taken to collect such taxes from citizens of the United States will be discontinued."

GREW

894.512/39 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

TOKYO, March 7, 1938—8 p. m.

[Received March 7—11: 14 a. m.]

154. Department's 65, February 19, 1 p. m.<sup>27</sup>

1. The text in translation of the reply of the Foreign Office received today is as follows:

"Ministry of Foreign Affairs, Tokyo, March 5, 1938. American I, No. 27, *note verbale*.

The Imperial Ministry of Foreign Affairs has the honor to take note of the views set forth in the American Embassy's *aide-mémoire* of February 21, 1938 with regard to the application to American citizens resident in Japan of the North China Incident special income tax and of other taxes which may be set up in the future for the purpose of securing funds for military purposes of the Empire in China, and to present a reply, as follows:

Law number 85 (extraordinary military expenditures special account law) of 1937 provides, in article 2 thereof that 'expenditures under the War and Navy Departments for the North China Incident, the first reserve fund for expenditures under the Finance Department for the North China Incident, and revenues to be applied to such expenditures are to be transferred to this account (defined by article 1 of this law) and adjusted'. However, the premise exists that the revenues of this special account essentially belong to the general account and have the character of general sources of revenue; the foregoing method of accounting has been employed wholly for reasons of convenience in adjusting the accounts, and the character of the special taxes has thereby in no sense been changed. Law number 66 (North China Incident special taxes) of 1937 does not in any way specify the purposes to which the taxes are to be applied, and until the above mentioned special account law became effective all the revenues from the special taxes under reference were paid into the general account, as is also to be done with all revenues accruing from the China Incident special tax law, which is to become effective from the coming fiscal year. Accordingly, the question of what method is used to account for such revenues is a matter to be decided entirely from the standpoint of convenience in adjusting the accounts of the Government. Further, the revenues from the special taxes under reference are appropriated,

<sup>27</sup> Not printed; the Department approved the action proposed in telegram No. 110, *supra*.

whether for military purposes or for non-military purposes, to meet the general expenditures, and the Imperial Government, therefore, regrets that it cannot assent to the American view that the provisions of the various laws cited prove that the incomes derived from the special taxes under reference are not paid into the exchequer and that they are reserved and expended entirely for military purposes.

It is also desired to draw the attention of the American Embassy to the fact that, with reference to the term 'military exactions or contributions' found at the conclusion of the fourth paragraph article I of the Treaty of Commerce and Navigation of 1911, the Imperial Government believes that it is proper to define that term as meaning military requisitions or military contributions or other urgent and extraordinary levies made in unavoidable circumstances. In other words, that term involves the principle of assessment and requisition by the military authorities, and even if not so assessed and requisitioned the term in its strict sense would apply only to those things supplied to the military forces. The North China Incident special taxes, after enactment by normal legislative procedure, are assessed and collected uniformly within the country by the normal taxation agencies, and are not applied solely for military purposes in the precise meaning of the term. Accordingly, the Japanese Government maintains the view that American citizens resident in Japan cannot escape from the obligation imposed on them by the second paragraph of article II of the above mentioned Treaty to pay taxes equally with Japanese subjects.

With regard to law number 3 (extraordinary special tax) of 1906 [1904], a question similar to the present question arose at the time of the Russo-Japanese war with foreign nationals residing in Japan, and the Imperial Government then took precisely the same position with regard to the various treaties of commerce and navigation that it takes in the present case. Despite the fact that the then current Anglo-Japanese Treaty of Commerce and Navigation (concluded in 1899)<sup>28</sup> contained at the end of the second article the same language as that employed in paragraph 4 of article I of the present Treaty of Commerce and Navigation between the United States and Japan, the British Government concurred in the view that such provision was inapplicable to the extraordinary special tax and that there was no warrant for British [nationals] residing in Japan claiming exemption from such extraordinary special tax.

The Imperial Government accordingly regrets that it cannot comply with the request of the American Embassy for assurance that measures now being taken for the collection of the taxes under reference will be discontinued."

2. We are studying the reply and will forward shortly for the Department's consideration certain points which might be incorporated in our forthcoming reply. Will the Department indicate in due course whether it desires that the rejoinder be drafted by us?

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<sup>28</sup> Signed at London, July 16, 1894, and effective in 1899; *British and Foreign State Papers*, vol. LXXXVI, p. 39.

3. I recommend the Department's permission to instruct the Consul General<sup>29</sup> substantially as follows:

"It is requested that you inform the offices within your supervisory jurisdiction of the action taken by the Embassy and suggest that they advise American citizens to refuse payment of the income special tax and other taxes under reference. American citizens should be further advised that if they are threatened with distraint, they should pay the taxes under protest pending the conclusion of discussions between the Embassy and the Foreign Office."

GREW

894.512/40 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

Тоkyo, March 8, 1938—7 p. m.  
[Received March 8—12:09 p. m.]

158. Our 154, March 7, 8 p. m.

1. The following points suggest themselves in considering a rejoinder to the Japanese reply:

(a) Our contention that the taxes are inapplicable to American citizens does not rest on the fact that the proceeds are to be paid into a special fund set up for meeting military expenditures but on the fact that the revenues are to be applied to military expenditures. The reference in our representations to the special fund was designed to establish that fact.

(b) The hostilities with China created the need for the additional revenues now being provided by these taxes.

(c) There is no basis for the Japanese contention that as the taxes were created by normal legislative processes and assessed and collected by the regularly established agencies of the Government they cannot be regarded as military exactions or contributions. If such interpretation were valid, the provision of the relevant treaty provision which was obviously intended to be a safeguard against levies for military purposes could be readily circumvented.

2. The British Ambassador is about to make representations similar to ours. I understand that he will call attention to the exemption enjoyed by Japanese residents in Great Britain from taxes the revenues of which are being applied to the British rearmament program. Comment along the following lines might be added:

The American Government firmly believes in the justice of the assertion that the taxes are not applicable to American citizens and its position is not in any way susceptible of alteration by the statement of the Japanese Government that the British Government in a previous instance took a different position. As the Japanese Government however appears to believe that the views of the British Gov-

<sup>29</sup> Charles R. Cameron.

ernment afford grounds for the contention that American citizens are liable to these taxes, the Japanese Government will no doubt be disposed to withdraw that contention in the light of the fact that the views of the British Government in the instant case coincide with those of the American Government in taking exception to the application of the taxes to their respective nationals.

GREW

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894.512/40 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, March 19, 1938—3 p. m.

98. Your 154, March 7, 8 p. m., and 158, March 8, 7 p. m.

1. You are authorized to issue instructions to the Consul General in the sense of paragraph 3 of your 154, March 7, 8 p. m., and to draft and present a rejoinder to the Japanese *note verbale* along lines indicated in your 158, March 8, 7 p. m., keeping in mind comment given below.

2. With reference to the text of the proposed instruction to the Consul General, the Department suggests that the phrase "refuse payment" in the first sentence be changed to read "refrain from payment".

3. With reference to section (a) of numbered paragraph 1 of your 158, the Department desires that you emphasize the fact that the proceeds of the tax are paid into and disbursed from a special account for military purposes, as well as the point, indicated in the first paragraph of the Department's No. 53, February 11, 6 p. m., that it is the view of this Government that any special taxes imposed expressly for the support of the hostilities in China are "military exactions or contributions" from which American nationals are exempt under article I of the Treaty of Commerce and Navigation. Our case is based upon these two fundamental points which you should constantly emphasize in your representations.

4. In regard to subsection (b) of paragraph 1 of your No. 158, it might be emphasized that this Government is not convinced, and that it could not convince the affected American interests and the American public, that the "North China Incident special taxes" which the Japanese Government proposes to collect do not in fact constitute military exactions or contributions having for their purpose the support of Japanese military activities in China.

HULL

894.512/46 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*

Tokyo, June 17, 1938—3 p. m.

[Received June 18—6:30 a. m.]

387. Department's 98, March 19, 3 p. m., and Embassy's despatch 2847 [2841] March 29.<sup>30</sup> The Embassy has received from the Foreign Office a reply to my note of March 23 concerning the payment by American citizens of special taxes levied in connection with the present China Incident. The reply in translation states in part:

"I regret that I must reply once more that after giving very careful consideration to the views of your Government towards this matter, the Imperial Government, for the reasons stated separately, is unable to withdraw its contentions in regard to this affair."

The Japanese Government bases its position largely on the interpretation of the phrase "military exactions or contributions" as employed in the Treaty of Commerce as being forcible levies made during an emergency by the military authorities themselves.

Full text of the reply being forwarded by mail.

GREW

894.512/50 : Telegram

*The Secretary of State to the Ambassador in Japan (Grew)*

WASHINGTON, July 20, 1938—7 p. m.

252. Your 387, June 17, 3 p. m., and your mail despatch No. 3040, June 22,<sup>30</sup> in regard to special Japanese taxes for military expenditures in China. The Department desires that you inform the Minister for Foreign Affairs that the Government of the United States, while taking note of the statement by the Minister for Foreign Affairs, contained in his note of June 4 to the effect that the Japanese Government maintains its contentions in regard to the payment of taxes under reference by American nationals, reaffirms its position that the exaction of such taxes would be contrary to the express exemption accorded reciprocally to nationals of each of the high contracting parties by paragraph 4 of Article I of the Treaty of Commerce and Navigation of 1911 and would expect to inform American nationals of this position in the event of inquiry by them as to the validity of any demand for or attempt to collect such taxes.

HULL

<sup>30</sup> Latter not printed.

RENEWAL OF AGREEMENT BETWEEN THE UNITED STATES AND  
JAPAN REGARDING EXPORT OF JAPANESE TEXTILES TO THE  
PHILIPPINES<sup>31</sup>

611B.9417/279

*The Secretary of State to the United States High Commissioner in  
the Philippine Islands (McNutt)*

WASHINGTON, March 26, 1938.

MY DEAR MR. MCNUTT: I have your letter of March 11, 1938, with which you enclosed a copy of a letter dated March 9, 1938, from the Textile Export Association of the United States, New York, New York.<sup>32</sup> The Association stated that it believes that the Japanese cotton textile exporters will not consent to a renewal of the existing agreement restricting Japanese cotton textile exports to the Philippines when that agreement, as renewed last year, expires on July 31, 1938; that it has reason to believe that the Philippine Assembly is prepared to approve at any time alterations in the Philippine tariff which would provide added protection to American textiles and would render unnecessary the renewal of the agreement with the Japanese cotton textile exporters; and that action, if any, along these lines should be taken immediately, as the Philippine Assembly will be in session for only a few weeks more. The Association therefore requested that you secure from the authorities in Washington the assurance that if the Philippine Assembly should pass such a measure it would not be opposed in Washington. You requested the views of the Department of State in regard to this matter and an indication of the reply which you should make to the Association.

The agreement between this Government and the Japanese cotton textile exporters has been operating satisfactorily since the Japanese exporters voluntarily prohibited the exportation to Hong Kong of those varieties of cotton textiles which previously had been transhipped to the Philippines. This is shown by the following statistics of arrivals of cotton piece goods in the Philippines (except the port of Jolo) during the past four months, as supplied by the United States Trade Commissioner at Manila:<sup>33</sup>

ARRIVALS OF COTTON TEXTILES IN THE PHILIPPINES

(in square meters)

	From Japan		From
	<i>Direct Shipments</i>	<i>Trans- Shipments</i>	United States
November 1937	3, 528, 000	1, 197, 000	5, 992, 000
December 1937	3, 261, 000	nil	5, 515, 000
January 1938	2, 832, 000	103, 000	6, 371, 000
February 1938	3, 513, 000	158, 000	4, 214, 000

<sup>31</sup> For previous correspondence, see *Foreign Relations*, 1937, vol. iv, pp. 780 ff.

<sup>32</sup> Neither printed.

<sup>33</sup> J. Bartlett Richards.



As is indicated by the above statistics, exporters of American cotton textiles, at the present rate of shipment, are handling about sixty percent of the combined Japanese and American trade, whereas, in the negotiation of the agreement, a fairly equal division of the market between American and Japanese manufacturers of cotton textiles was contemplated (cotton textiles other than American or Japanese occupied less than five percent of the market). From a practical viewpoint, therefore, there would appear to be no objection at the present time on the part of the American exporters to the continuation of the agreement until such time as it may be possible to make other arrangements for control of the trade. The Department of State, moreover, is not aware of any reason why the Japanese cotton textile exporters should not desire to renew the agreement for another year. In 1937, the Japanese entered willingly into the renewal of the agreement, and their rigid enforcement of the terms of the agreement (as is shown by their voluntary control of their shipments to Hong Kong) indicates their desire for a continuance of the agreement. This Department, however, will explore the matter of the Japanese desires in this connection before taking a definite position either in regard to the extension of the present agreement or in regard to some other method of control of the trade.

At the same time, it should be understood that the Government of the United States, by the terms of the understanding forming the basis for the agreement, is precluded from taking any action calculated to persuade the Philippine Government to increase its duties on cotton piece goods, to take effect prior to August 1, 1938, so long as the imports into the Philippines of Japanese cotton piece goods do not exceed 45,000,000 square meters annually. Unless and until, therefore, the Philippine imports of Japanese cotton textiles exceed 45,000,000 square meters in the year beginning August 1, 1937, the Government of the United States would not be in a position to indicate to the Philippine Government its acceptance of any such increase in the tariff on cotton piece goods.

The above explanation of the situation is for your confidential information. In your reply to the Association, it is suggested that you point out that, in accordance with the terms of our understanding with the Japanese textile exporters, this Government will not be in a position to indicate its acceptance of any tariff increase, effective prior to August 1, 1938, on cotton piece goods unless the imports of Japanese cotton textiles into the Philippines exceed 45,000,000 square meters for the year beginning August 1, 1937; that the Department of State has not taken a definite position either in regard to the extension of the present agreement or in regard to any other method

of control which would afford American exporters of cotton textiles a fair share in the Philippine market; that the Department of State is reluctant to take a position in this matter until it has had an opportunity to consider the recommendations which the Joint Preparatory Committee on Philippine Affairs will make in regard to the Philippine imports of cotton textiles; and that, in any event, it is believed that there is ample time before the expiration of the agreement to give consideration to the question of renewing the agreement or adopting some other method of control.

Sincerely yours,

CORDELL HULL

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611B.9417/290

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

[WASHINGTON,] June 8, 1938.

Participants: Mr. Suma, Counselor of the Japanese Embassy.  
Mr. Sakamoto, First Secretary of the Japanese Embassy.  
Mr. Fox of the Tariff Commission.  
Mr. Ballantine.

Mr. Suma was told with reference to his inquiry of April 14 whether this Government would be disposed to renew for a further period the existing arrangement relating to the importation of Japanese cotton piece goods into the Philippine Islands which is to expire July 31, 1938, that after consultation with the interested agencies of the government and the concerned American business group we would favor renewing the agreement for a period of one year on the same terms as those of the present arrangement. With reference to Mr. Suma's request that the quota for Japanese piece goods be increased to sixty million square meters, Mr. Suma was reminded that the quota of forty-five million square meters in the original agreement had been fixed in the mutual expectation that this would divide the Philippine market equally between Japan and the United States and it was pointed out that as the total importation of cotton piece goods into the Philippine Islands had not subsequently increased, we could find no basis for the request of the Japanese Association that the quota be increased over the present figure. With reference to the desire expressed by Mr. Suma that the arrangement be renewed for a period of two years, it was explained that this Government did not desire to commit itself for a longer period than one year in view of a possibility of action being taken during the coming year to affect

adjustments in the existing trade relations between the United States and the Philippines. Mr. Suma was also told that we would like to have included in the text of our proposal covering the renewal of the arrangement a statement to the effect that if the quantity of Japanese cotton piece goods imported into the Philippine Islands reached a figure of forty-five million square meters prior to the expiration of the arrangement, the Government of the United States would be released from its commitment with regard to the Philippine import duties on cotton textiles.

After some discussion Mr. Suma agreed to refer to his Government our proposals. He and Mr. Sakamoto appeared to appreciate our explanation of the reasons why we would be unwilling to extend the arrangement for a period longer than one year or to assent to an increase in the Japanese quota. On the other hand, they raised objections on point three. They observed that our right to release ourselves from our commitments in the event that the Japanese found themselves unable to keep their exports within the quota was implicit in the arrangement from the first and saw no necessity for the inclusion of an explicit statement to that effect in the new arrangement. Their specific objections to the inclusion of such an explicit statement were (1) that the arrangement would lose its character as a "gentlemen's agreement" and become a legal agreement which would have to be submitted by the Foreign Office to the Privy Council and (2) that it would be viewed by the Japanese as a reflection on their good faith.

It was explained to Mr. Suma that there was no question whatsoever in our minds of questioning their good faith in suggesting the inclusion of such a clause, but it was thought that it would merely serve to be helpful in clarifying a point which we agreed was implicit in the arrangement. It was finally decided to leave this latter point open for further discussion, and in the meantime Mr. Ballantine offered to sound out the views of this Government as to whether an oral statement by us to Mr. Suma to be assented to by him to the effect that our right to be released from our commitment in the event that the Japanese exceeded the quota prior to the expiration of the arrangement was implicit in the arrangement would be an acceptable substitute to an explicit statement to that effect in our written proposal.

Mr. Suma and Mr. Sakamoto said that the Japanese Embassy would report our proposal to the Japanese Government and would expect to communicate with Mr. Ballantine immediately upon receipt of further instructions from their Government.

611B.9417/291

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

[WASHINGTON,] June 13, 1938.

Mr. Suma referred to his conversation with Mr. Ballantine on June 8 in regard to the question of the renewal of the Philippine Cotton Textile Arrangement and said that a telegram had now been received stating that the Japanese Association of Exporters was willing to extend the arrangement for a period of one year and would accept the present quota of 45,000,000 square meters provided that the written instrument of renewal contained no explicit clause, such as had been suggested, that it was understood that if the amount of Japan's exports exceeded the quota agreed upon prior to the expiration of the term of the agreement the Government of the United States would be released from its obligations under the arrangement.

Mr. Ballantine said that he would inform the interested officers of the Department of Mr. Suma's message and it was arranged that Mr. Ballantine would endeavor to consult with his associates on drafts of notes to be exchanged in connection with the proposed extension of the arrangement and that as soon as such drafts were prepared we should expect to seek a further discussion with Mr. Suma.

J[OSEPH] W. B[ALLANTINE]

611B.9417/295

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

[WASHINGTON,] July 11, 1938.

Participants: Mr. Sayre<sup>34</sup>  
Mr. Hiss<sup>35</sup>  
Mr. Suma, Counselor of the Japanese Embassy  
Mr. Ballantine

Mr. Sayre, in outlining to Mr. Suma the attitude of our Government toward the question of renewal of the existing agreement relating to the importation of Japanese cotton piece goods into the Philippines, said that we were now confronted with the possibility of going before Congress during its forthcoming session in connection with recommendations for legislation to carry out the recommendations of the Joint Preparatory Committee. Accordingly, while this Government

<sup>34</sup> Francis B. Sayre, Assistant Secretary of State.

<sup>35</sup> Alger Hiss, Assistant to Assistant Secretary Sayre.

would like to renew the existing agreement for an additional period of one year, we had felt that it would be desirable to have renewal take a form somewhat different from that in which it was renewed last year. Mr. Sayre handed Mr. Suma a draft of a proposed note from the Department to the Japanese Embassy and a draft of an acknowledgment by the Japanese Embassy thereto. Mr. Sayre explained that this form of renewal took into account the difference in the positions of the two Governments with regard to the question of transshipments, our Government having contended from the first that the quota included transshipments through intermediate ports, whereas the Japanese Government notwithstanding its understanding of our position had indicated that it could not publicly acknowledge that the quota included transshipments. Mr. Sayre also explained that the only other essential feature in which the new proposed form differed from the old was the division of the quota into four quarterly periods which had been designed with a view to avoiding possible embarrassment should the Department have occasion to go before Congress in regard to the matter.

Mr. Suma expressed his first-hand reaction that the present proposal would be regarded by the Japanese exporters as denoting suspicion on our part of Japan's good faith in this matter. Mr. Sayre and Mr. Ballantine then went over the ground again with Mr. Suma to make clear that the suggested form of renewal had not been prompted by any suspicion of Japan's good faith, and Mr. Suma was apparently satisfied with our explanation.

Mr. Sayre then requested that Mr. Suma refer the two drafts to the Japanese Government and made it quite clear that if the Japanese Government wished to offer any counter-suggestions or changes we would be quite prepared to consider them. He said that we had no wish to close any doors. Mr. Suma said that he would refer the two drafts to his Government and would expect a reply at an early date.<sup>36</sup> Copies of the drafts which were handed to Mr. Suma are attached hereto.<sup>37</sup>

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611B.9417/285a

*The Department of State to the Japanese Embassy*

MEMORANDUM

Reference is made to the existing agreement relating to the importation of Japanese cotton piece goods into the Philippines which was originally entered into on October 11, 1935,<sup>38</sup> for a period of two years

<sup>36</sup> Further discussion followed on July 14, 18, and 20.

<sup>37</sup> Not printed.

<sup>38</sup> *Foreign Relations*, 1935, vol. III, p. 1007.

and extended for an additional period of one year, from August 1, 1937 through July 31, 1938, by an exchange of memoranda between the Department of State and the Japanese Embassy at Washington dated respectively July 2 and July 27, 1937.<sup>39</sup>

Inasmuch as the aforementioned agreement, as extended, expires on July 31, 1938, the United States Government wishes to declare to the Japanese Embassy, for communication to the Japanese Government and to the Association of Japanese Exporters of Cotton Piece Goods into the Philippines, its policy for a further period of one year from August 1, 1938 through July 31, 1939, in regard to the imports into the Philippines of Japanese cotton piece goods, to-wit:

So long as the imports into the Philippines of Japanese cotton piece goods do not exceed 11,250,000 square meters in any quarter, the United States Government will take no action directed toward securing an increase in Philippine tariff rates on cotton piece goods to become effective prior to August 1, 1939. If imports in any quarter should amount to less than or more than 11,250,000 square meters, the deficiency shall be added to or the excess subtracted from the allowance for any succeeding quarter or quarters, providing that such excess of imports as may be brought into the Philippines within any quarter shall never be more than 2,250,000 square meters (this being twenty percent of the normal quarterly quota allowance).

WASHINGTON, July 22, 1938.

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611B.9417/303

*The Japanese Embassy to the Department of State*

MEMORANDUM

With reference to the memorandum of the Department of State, dated July 22, 1938, declaring the policy of the United States Government for the period August 1, 1938 through July 31, 1939, in regard to the importation into the Philippines of Japanese cotton piece goods, the Japanese Embassy is now instructed to inform the Government of the United States as follows:

The Association of Japanese Exporters of Cotton Piece Goods declares that it will, during the period of one year from August 1, 1938 through July 31, 1939, limit the imports of Japanese cotton piece goods into the Philippines within the quantitative limitations set forth in the memorandum of the Department of State dated July 22, 1938, and will continue its voluntary efforts to make its restrictions upon shipments via intermediary ports as effective as they were during the period from August 1, 1937, to the date of this memorandum.

[WASHINGTON,] July 22, 1938.

<sup>39</sup> *Foreign Relations*, 1937, vol. iv, pp. 798 and 803.

611B.9417/302

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

[WASHINGTON,] July 22, 1938.

Participants: Mr. Sayre  
Mr. Suma, Counselor of the Japanese Embassy  
Mr. Ballantine

The exchange of memoranda providing for the continuation of the Philippine cotton textile agreement for one year from August 1, 1938, having been effected,<sup>40</sup> the texts of the documents exchanged were compared with the texts of the drafts originally agreed upon. In handing Mr. Suma the Department's note, Mr. Sayre observed that our Government had at the instance of the Japanese Government agreed to the omission of the phrase "from all sources" in the second paragraph of our note on the basis of Mr. Suma's oral assurance that notwithstanding the omission of this phrase it was clearly intended that the agreement applied to imports into the Philippines of Japanese piece goods from all sources. Mr. Suma assented to this interpretation. Mr. Sayre further observed that in drafting this agreement we had been ever mindful of the desirability of retaining its character as a gentleman's agreement and therefore we had avoided defining its terms too narrowly. Mr. Sayre pointed out that even without violating the letter of the agreement it might be possible for Japanese exporters to flood the Philippine market by utilizing large carry-overs from previous quarterly periods to bunch heavy shipments in subsequent quarters. Mr. Sayre said that it was quite apparent that such a procedure would be entirely contrary to the spirit of the agreement, the underlying purpose of which was to ensure against any sudden dislocations or disturbances of the market and that it was therefore desirable that shipments be distributed as evenly as possible through the four quarterly periods. Mr. Suma said that he would particularly impress upon his Government and upon the Japanese exporters the importance of this point, the force of which he appreciated, in order to avoid any detrimental influence upon Japanese-American trade relations.<sup>41</sup>

There was then discussed a draft of a proposed press release. Mr. Suma demurred to the giving out of any details regarding the modifications made in the substance of the agreement but finally agreed to submit to his Government for approval the following draft of a proposed press release:

[For press release issued by the Department on July 27, see Department of State, *Press Releases*, July 30, 1938, page 69.]

<sup>40</sup> *Supra*.

<sup>41</sup> On January 7, 1939, Mr. Ballantine noted that "Japan is far behind her allotted quota under the agreement". (611B.9417/307)

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